Indiana Department of Commerce

Models and Options – Statewide Delivery Systems

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February 11, 2002

Indiana
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Project Overview

MARKET STREET SERVICES, INC.
change management for communities

February 11, 2002

PROJECT OVERVIEW

The changes occurring in the national and global economies have led to substantive changes in the field of economic development. States and the communities within them can no longer rely solely on real estate costs, labor rates, and basic infrastructure to ensure success. Instead, communities must also consider such factors as telecommunications infrastructure, the educational attainment of the workforce, and the quality of life that workers can enjoy to compete effectively for today's knowledge-based companies.

As the national economy transforms from one dominated by physical assets to one that relies more on services and intellectual assets, states must assess how to take advantage of and position themselves in light of this transformation. However, this shift has not happened overnight. As *Wired Magazine* editor Kevin Kelly points out, "the seeds for today's new economy were planted decades ago," and it has only been recently that those investments have begun to bloom.

The question of how to structure a state economic development program in this rapidly changing economy is a difficult one. Clearly, the business of economic development has changed as all of the net job creation now comes from small and medium firms and Fortune 500 companies continue to shrink with each passing day. There are useful principles and key programs that must be included in a state-level system, but each state's economic situation and strategic needs are different.

In the past 10 years, there has been considerable experimentation with privatization and non-traditional delivery systems. There is no magic bullet. Each state needs to carefully consider its own economic structure and realities, its size, its community structure, and its key expectations and goals. The Indiana Department of Commerce, policy makers, and elected officials have recognized the challenges and needs facing the State of Indiana as it moves forward into the future with respect to making good economic development decisions based upon the State's competitive position.

Market Street Services, Inc., a national community and economic development consulting firm located in Atlanta, Georgia, has partnered with the Indiana Department of Commerce to help the State clearly assess its competitive position both in relation to other states and the nation. Based upon this information, best practices throughout the country, and local input, three to five organizational and structural options will be developed for consideration. These structural options are intended to help the Indiana Department of Commerce and the State of Indiana fulfill its role in overseeing strategic planning, making policy recommendations, and introducing best practices to Indiana's economic development efforts as it move forward into the future.

The process for developing the organizational and structural options for Indiana includes six tasks:

Task One – Economic and Demographic Profile
This detailed profile provided an objective analysis of the Indiana economy. The analysis focused on direct comparisons with other states to demonstrate the relative economic competitiveness of Indiana as well as an examination of the regional economies within the State. This approach recognized that Indiana has multiple economies with different structures and dynamics that affect the competitiveness and economic development in each region.

Task Two – Regional Input

One of the most important parts of the process involved local input from community leaders, economic development professionals, business leaders, elected officials, and other key stakeholders. In a series of four regional meetings held across the State between October 31 and November 13, 2001, key stakeholders from the regional area surrounding the meeting location were invited to participate in a three-hour session in which they received information from and provided feedback to the Department of Commerce. Each meeting focused on the quality of the economic development structure and ease of doing business in the State of Indiana as the key issue areas.

Task Three – Competitive Assessment

This task provided a critical review of the key factors affecting Indiana's business climate including four fundamental components: workforce and education; infrastructure; business costs; and quality of life. The *Competitive Assessment* provided a clear statement of the strengths and weaknesses affecting Indiana's business development potential. The State's competitiveness was summarized relative to the nation, several leading states, and the states immediately surrounding Indiana.

Task Four – Models and Options – Statewide Delivery Systems

A review of various models and option for the organizations of statewide delivery systems helps to provide benchmarks for evaluating Indiana's current service delivery system, and provides a framework for evaluating organizational structures.

Task Five – Best Practices – Program Areas

This document will focus on best practices, models, and options according to program area. For each program area, its importance and role in a community and economic development system, key characteristics of why the effort is successful, and the key lessons or applications the program provides will be discussed.

Task Six – Structural Options

Based upon the regional input and data collected, three to five organizational and structural options will be created that are designed specifically for Indiana based upon the information generated and the policy decisions made during the process. Once a final option is selected, an implementation plan will be devised including a public rollout of the new structure and collateral material.

This report comprises the fourth task in this strategic process, and profiles the structures of five diverse states.

Introduction

INTRODUCTION

Models and Options

A review of various models and options for community and economic development statewide structures will help to provide benchmarks for evaluating Indiana's current service delivery system, and provide a framework for evaluating organizational structures. Best practice information allows us to learn from the experiences of others, build upon their successes and --we hope -- avoid their mistakes.

No single approach to economic development and community development, nor any individual statewide delivery system, is being put forth by *Market Street Services* as ***the only*** model for Indiana. Rather, each example in this review has at least one aspect that is relevant to the situation in Indiana. Further, these selections portray innovative and successful structural models for community and economic development delivery systems. There is something to be learned from each and every example.

Selection of Statewide Community and Economic Development Delivery Systems

This document focuses on structures, models and options of statewide delivery systems. The changing economy and initiatives from newly elected Governors and legislatures have served as catalysts and change agents in relation to the structure of community and economic development delivery systems across the United States. It is important to note that there is ***no intention*** to suggest that any of these options are "just right" for Indiana. As will be pointed out in the presentation of the options for Indiana, the state's historical reality and economic uniqueness must be considered.

Several of the structures profiled have evolved over at least a few years, and others are newly implemented. Some reflect a clear state strategy while others do not. The states were carefully considered and chosen; they all represent large states with diverse populations, and yet, they are all different. The *Market Street* team believes that these options represent some of the best structures in the United States.

One of the most important aspects that all these statewide delivery systems do have in common is that they are ever changing. Almost all the models highlighted in this document have undergone significant change in recent years -- ranging from structure, leadership, and programs to sources of funding. These changes are being made strategically and with the pressures and forces of the "new economy" playing an integral role in the decision-making process. Perhaps most importantly, all the states represented here clearly understand the changing world of community and economic development and the structures that must be in place to be successful.

Third Wave of Economic Development

The variety of structures and their rapidly changing environments are clear demonstrations of the "third wave" of economic development. Experts have theorized that there have been three distinct waves of economic development, the first focused on industrial recruitment, the second focused on government programs directly assisting individual businesses. "Third wave strategies which are a new approach to economic development, advocate a radical restructuring of state programs based on the principles of increased scale, flexibility, leverage, and accountability."[1]

The primary components of a third wave approach include the following:

- ✓ Building networks and consortia;
- ✓ Establish local intermediaries;
- ✓ Wholesale services and programs;
- ✓ Require leverage and commitment;
- ✓ Make policies and programs comprehensive;
- ✓ Generate competition;
- ✓ Fill gaps and change behavior; and
- ✓ Invest, don't grant.[2]

Highlights of Statewide Systems

The structural models of five states' community and economic development delivery systems are portrayed in this document. Efforts were made to provide details on how the system "really works" and to identify and include all the players within each state's system. The primary agency or agencies responsible for community and economic development are highlighted, and significant detail is provided on their role and activities. Descriptions of secondary agencies or organizations are included where appropriate within each state's delivery system.

Kentucky:
In recent years, Kentucky has become one of the most aggressive recruiting states. Its unique Cabinet form and public-private partnership have given the State new momentum. Serious education reform and powerful incentives make Kentucky "a player."

Florida:
Florida's community and economic development service delivery system has achieved the greatest level of private sector participation in the United States. The state level public-private partnerships in Florida, Enterprise Florida, Inc. and VISIT FLORIDA, have strict private-matching requirements to ensure true private sector participation. Florida's network of partnerships requires significant coordination through the Executive Office of the Governor. The state benefits from a large Department of Community Affairs with an effective planning division.

Ohio:
While the majority of Ohio's programs have long been located in the Department of Development, the system has built on strong programs and allowed for regional differences. Ohio has a broad, well-funded public sector program with a strong emphasis on technology. There is no private sector support or involvement at the state level.

1 *Pilcher, Dan. "The Third Wave of Economic Development."*
2 *Plosila, Walt. "Technology Development: Perspectives on the Third Wave."*

Pennsylvania:
Pennsylvania has one of the best-funded and most efficiently integrated community and economic development delivery systems in the United States. The lead state development agency, operating under a super agency structure, received over $1 billion in state and federal funds for the current fiscal year. New programs and partnerships like Team Pennsylvania have set the State apart.

Michigan:
No state has worked harder to continually improve its state structure than Michigan. The State has been through two major restructuring efforts in six years. The resulting system is one of the most professional, customer-driven operations in the United States. The client support structure is unsurpassed as is the creation of special local relations and contracts.

The selection process also sought to provide a variety of operational structures. Again, the bottom line of the structures, models and options is to portray a variety of approaches to establishing a statewide community and economic development delivery system. The breadth of structures and program concentrations demonstrates the depth and variety of community and economic development programs. The implementation of these delivery systems and their particular approaches are meant to spur and support thoughtful innovation for structural options for Indiana later in this process.

Document Structure

This document is divided into eight sections:

1. Project Overview
2. Introduction
3. Kentucky's Community and Economic Development Delivery System
4. Florida's Community and Economic Development Delivery System
5. Ohio's Community and Economic Development Delivery System
6. Pennsylvania's Community and Economic Development Delivery System
7. Michigan's Community and Economic Development Delivery System
8. Conclusions

This document is constructed to allow the reader to get a systematic overview of how each state is handling community and economic development followed by specific information about functions, programs, staff and funding. A clear picture of each system and how it works is presented.

Each state review contains the following information:

1. **System Overview** – Brief narrative includes a listing of the distinctive characteristics of the State system, noting the primary and secondary State Community and Economic Development Agencies.
2. **Primary State Community and Economic Development Agencies** – In-depth look at the key agencies involved in economic and community development service delivery. The four primary components reviewed are designed to give the reader a feeling of what each state is doing and how it is doing it. Components include:

   a. Structure
   b. Key Programs and Operation
   c. Performance Measures (when applicable)
   d. Budget
3. **Secondary State Community and Economic Development Agencies** – Provides a brief description of the agency.

It is important to remember that no attempt was made to rank one state delivery system above another or to suggest that one contains "all the answers." The differences in structure and programs are significant. That finding is the exact intention of this document. There are many ways to create an effective delivery system. Segments and components of several of these states will be considered in the final deliverable.

The *Conclusion* provides a recap of the key findings and trends from all of the models presented. Taken together, these statements outline a clear set of issues for Indiana's consideration of structural options.

Kentucky

KENTUCKY'S COMMUNITY AND ECONOMIC DEVELOPMENT DELIVERY SYSTEM

System Overview

Kentucky's community and economic development delivery system is implemented predominantly through the Executive Branch of the state government. It is part of Kentucky's unusual "cabinet" form of governance. The Executive Branch is made up of several different offices: the Governor and Executive Cabinets, the Lieutenant Governor, the Secretary of State, the Attorney General, the State Treasurer, the Auditor of Public Accounts, the Commissioner of Agriculture, and the Railroad Commissioner. Initiatives relating to community and economic development emanate primarily from the Governor's Office. The Governor's Office consists of 14 different cabinets and several quasi-autonomous departments and commissions. Many of these cabinets, departments and commissions deal with issues directly or indirectly related to community and economic development. Because many of these organizations are compartmentalized into strict formal structures, interaction between these divisions may be somewhat limited and inefficient. However, all the cabinets are under the authority of the Secretary of the Executive Cabinet and this hierarchy may allow for some coordination of various initiatives between these agencies.

Despite this potential fragmentation of service delivery, Kentucky has numerous community and economic development agencies whose programs and approaches may be beneficial to Indiana's strategic economic development process. Some key features of Kentucky's community and economic development systems are:

- Regular strategic planning – Kentucky is currently developing its third five-year strategic plan since 1992.
- A commitment to provide assistance to counties transitioning from coal mining economies through the Department for Coal County Development.
- A new emphasis on developing Kentucky's technology-based businesses through the Office of the Commissioner for the New Economy.
- An excellent system of providing community information to relocating, expanding, and current businesses.
- An astute recognition of the State's tourism assets and a focus on enhancing and capitalizing upon those assets.
- Effectively utilizing financial assistance from various federal programs, including Community Development Block Grants, the Appalachian Regional Commission and the newly created Delta Authority.
- Marketing many of the State's economic development programs and services under a unified slogan, *Think Kentucky*, and website, www.thinkkentucky.com.

Primary State Community and Economic Development Agencies

The Commonwealth of Kentucky has three separate organizations that primarily deal with issues specifically related to community and economic development:

- Cabinet for Economic Development;

- Governor's Department for Local Development; and
- Tourism Development Cabinet.

Secondary State Community and Economic Development Agencies

Kentucky also has other agencies and departments that devote *some* of their efforts to the delivery of state community and economic development-related programs:

- Workforce Development Cabinet and the
- Kentucky Infrastructure Authority.

Primary State Community and Economic Development Agencies

The three primary community and economic development organizations are outlined in the table below and are discussed in further detail following the table.

State Agency	Functions	Policy or Program Areas	Total Staff*	FY2001 Expenditures
Cabinet for Economic Development	Attracts new jobs and investment into the State	Business development International trade Business and industrial development Community planning and development regional development Small and minority business development Research.	166	$18.6 million
Governor's Department for Local Development	Provides various forms of assistance to local governments; serves as a liaison between the Governor and local governments	Appalachian Regional Commission Community Development Block Grants Flood control Local economic development Local road assistance	68	$54.9 million
Tourism Development Cabinet	Promotes and supports Kentucky's tourism industry	Kentucky Horse Park State parks Support services for travel businesses Marketing State fair Convention centers Fish and wildlife resources.	3,872	$153.4 million

* 2002 Projections - Includes full-time, part-time, and interim workers.

THE CABINET FOR ECONOMIC DEVELOPMENT

Agency Overview

The Kentucky Cabinet for Economic Development (KCED) is the self-stated "primary state agency responsible for creating new jobs and new investment in the state" [3]. Although its main goal relates to supporting new and expanding businesses, KCED also helps local communities throughout Kentucky plan for new growth initiatives. KCED and its divisions are located primarily in Frankfort.

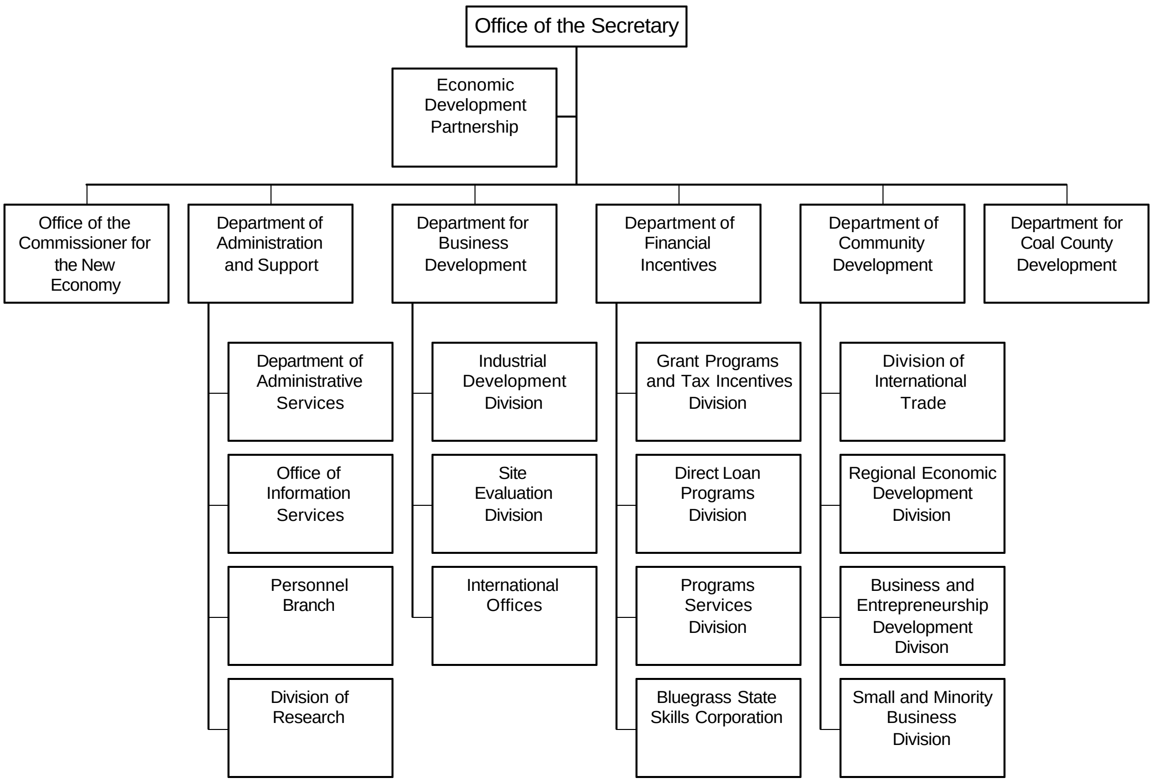
Structure

KCED's structure differs from Kentucky's other cabinets because its main goals and objectives originate from and are prioritized by a public/private partnership. The Kentucky Economic Development Partnership (KEDP) was created in 1992 and was one major result of the Kentucky General Assembly's House Bill 89 that sought to establish a culture of long-range strategic economic development planning.[4] KEDP has 13 members, and the Governor serves as the chairman. Another four members of the partnership are the secretaries of the Cabinets of Economic Development, Finance and Administration, Natural Resources, and Tourism Development. However, the secretaries of Economic Development and Tourism Development do not vote within the partnership. The last eight members are from the private sector, one from each of the State's

[3] Kentucky Cabinet for Economic Development Website, http://www.edc.state.ky.us. January 2002.
[4] In 2000, House Bill 502 directed state agencies to refocus their objectives and budgets to prepare for increased global competition and the knowledge-based economy.

eight congressional districts. Following nominations by various business and economic development organizations, the Governor appoints the members.

Kentucky Cabinet for Economic Development



Using a significant amount of public input and participation, the Partnership's main function is to prepare Kentucky's Strategic Plan for Economic Development, the second major result of House Bill 98. The Strategic Plan is a broad document that provides various long-term visions, missions, goals, strategies and tactics that serve as a "blueprint" for KCED's operations. Kentucky's first Strategic Plan was adopted in 1994 and later revised in 1997. In 2001, the Partnership again began to revise the Strategic Plan to outline its desired economic development goals for 2002-2006. In 2001, the Partnership worked with researchers from the University of Louisville to gather economic and demographic information that will help indicate the current status and performance of Kentucky's different economic regions.

While the Economic Development Partnership establishes long-term goals for KCED, the Office of the Secretary is chiefly responsible for developing and administering programs that ensure these goals are achieved. The Secretary and Executive Administrator of the Cabinet for Economic Development are the lead individuals in this office. They delegate tasks and functions to the commissioners of each of the six separate departments within KCED. These six departments are:

- The Office of the New Economy
- The Department of Administration and Support;
- The Department for Business Development;

- The Department for Coal County Development;
- The Department of Community Development; and
- The Department of Financial Incentives.

Key Programs and Operations

The Kentucky Innovation Act of 2000 established the **Office of Commissioner for the New Economy** to facilitate the development of "new economy" companies (i.e. those dealing with new technologies such as broadband and biotech). Though still in its early stages, the Office is seeking to create an entrepreneurial climate within Kentucky while assisting new businesses in bringing their products to the commercial market. This goal is to be achieved through the future establishment of Innovation and Commercialization Centers at community colleges in different parts of the State.

The **Department of Administration and Support** offers organizational support and assistance to the entire cabinet. Through the Office of Information Resources, the Division of Administrative Services, the Personnel Branch and the Division of Research, this department assists the cabinet's employees with their day-to-day job functions.

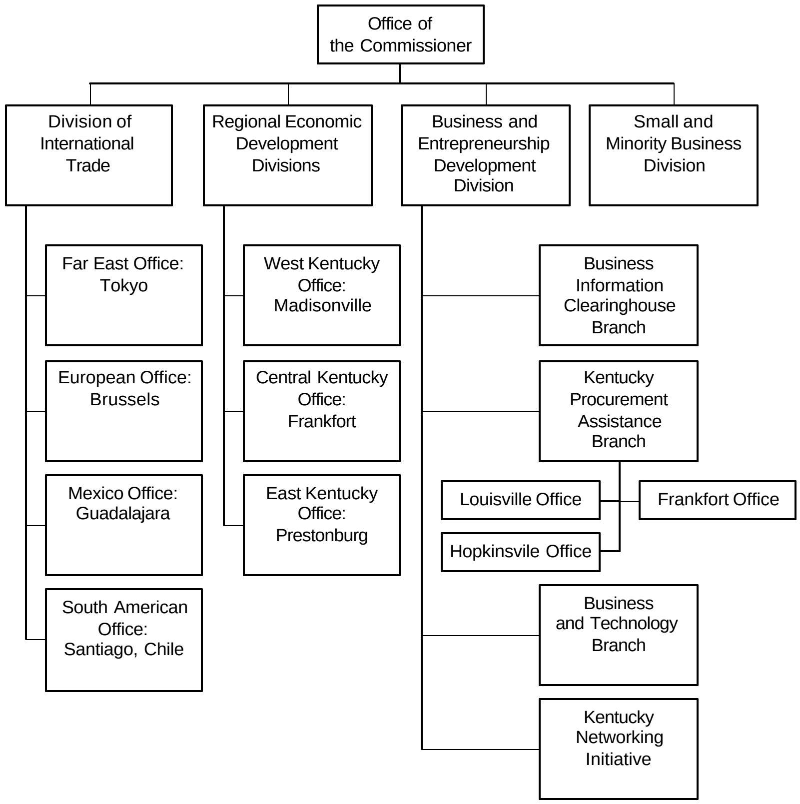
The **Department for Business Development** is the business recruitment arm of the state government. Through its Industrial Development Division, Site Evaluation Division, and its international offices in Tokyo, Belgium, Mexico, and Chile, the department seeks to market Kentucky while working with expanding or relocating companies to encourage them to locate within the state. The Industrial Development Division performs the majority of these duties and is headed by its own deputy commissioner.

The Department also offers considerable site selection assistance to prospective companies. For relocating companies, a project manager works closely with the company on all aspects of their site selection process. The project manager provides detailed information on available sites and buildings, along with supplementary information on the local community, local government and labor availability. The project manager also serves as a liaison between the state government and the relocating company by providing assistance with financial incentives, obtaining permits, and opening the facility.

The **Department for Coal County Development** was created in 1997 to allocate coal severance tax revenues to Kentucky's coal producing counties. The department distributes money through the State's local government economic development fund to help in creating industrial parks in these counties. Ten industrial parks are currently located in Ohio, Perry, Boyd, Greenup, Henderson, Letcher, Martin, Rowan, Wolfe, and Know counties. Funds must be used for property acquisition, infrastructure development, building construction, engineering, and/or workforce development. The Department hopes to diversify the economies of these struggling counties that were once so dependent upon coal mining.

The **Department of Community Development** performs a wide variety of economic development functions. There are four divisions within the Department, as indicated by the chart that follows, and a description of each division's function follows the chart.

Kentucky Cabinet for Economic Development:
Department of Community Development



- The *Division of International Trade* offers direct consulting and training to businesses seeking to learn *how* to export and *where* they can effectively market their goods. It also provides marketing assistance by representing companies at trade shows and generating trade leads through its contact network, including KCED's four overseas offices. Through KCED's offices in Tokyo, Belgium, Mexico, and Chile and its office in Frankfort, the Division of International Trade promotes the export of Kentucky-produced goods and services throughout the world. This division is headed by its own deputy commissioner and has 12 economic development specialists that assist companies throughout the State.
- The *Regional Economic Development Division* has offices in Frankfort, Madisonville, and Prestonburg that allow it to work closely with local governments, communities and businesses to promote and plan for new development. Also in the Department of Community Development, the Regional Economic Development Divisions in Prestonsburg, Madisonville, and Frankfort, provide practical assistance to local businesses. These offices provide information about the types of assistance the State offers to businesses. The regional offices try to provide a more customized and "customer-friendly" approach to the State's economic development programs by cultivating the department's relationship with local business and community leaders. These offices also provide technical expertise to communities for local or regional site and infrastructure planning initiatives.
- The *Business and Entrepreneurship Development Division* supports small business and entrepreneurial development throughout the State.

- Within Business and Entrepreneurship Development Division, the Business Information Clearinghouse Branch serves as a single informational resource for new businesses on topics such as business regulations, licenses, and permits.
- The Kentucky Procurement Assistance Branch's three offices throughout the State help find small businesses customers for their products in local, state or federal governments.
- The Business and Technology Branch educates Kentucky's companies and businesses on ways they can integrate new technology into their operations. For example, the Kentucky Networking Initiative builds collaborative "networks" enabling businesses to access information, expertise, other networks, financial assistance and training. These flexible networks emphasize knowledge sharing and relationship building to increase the competitiveness of new businesses in certain business sectors. By working in public/private partnerships, such as the Kentucky Manufacturing Assistance Center and the Kentucky Science and Technology Corporation, this branch helps increase the technological proficiency of state businesses.
- Also, in the Business and Entrepreneurship Division is the Commonwealth Alliance Program. This program, begun in 1994, has three full-time staff members that help entrepreneurs create and manage their relationships with other companies. KCED views alliances as an excellent way in which small companies can gain stronger market shares. This program attempts to increase the presence of those alliances among smaller companies so they can be more successful.

- The *Small and Minority Business Division* plays an important role in the Commonwealth Small Business Development Corporation (CSBDC). This is a non-profit organization recognized by the U.S. Small Business Administration (SBA) to loan SBA 504 funds throughout Kentucky to spur economic development and job creation in small businesses. Up to 40 percent of a project cost or $750,000 per project (certain instances can lead to a $1,000,000 loan) may be allocated by the CSBDC for a period of not longer than 20 years for land and buildings or 10 years for equipment.

The **Department of Financial Incentives** administers programs approved by the Kentucky Economic Development Finance Authority (KEDFA). KEDFA is a board made up of seven public and private individuals that are appointed by the Kentucky Economic Development Partnership. KEDFA selects the projects that will receive funding from the Department of Financial Incentives. The Department of Financial Incentives is the largest funded department in KCED and manages all of KCED's financial assistance, tax credit, and related programs that Kentucky offers to businesses. These programs are separated into different divisions within the department depending upon the type of assistance.

- The *Grants Programs Division* administers grants, bonds, venture capital investment fund, and tourism incentive program.
- The *Tax Incentive Programs Division* administers tax credit incentive programs.
- The *Kentucky Enterprise Zone Program* encourages development in target areas through incentive and reduced regulations.
- A *Direct Loan Program* provides loans from $25,000 to $500,000 to companies in agribusiness, tourism, manufacturing, or the service industry, but excluding retail projects. The loan amount is determined by the number of jobs that will be created, with up to a $10,000 secured loan for each new job created. During 2000, KEDFA made loans to 37 entities totaling about $14.6 million.

- The *Programs Servicing Division* audits and monitors all other divisions.
- The *Bluegrass State Skills Corporation* (BSSC) is the single largest funded program in the KCED with a FY2001 budget of approximately $5 million. BSSC is an independent corporation that provides matching grants and tax credits to companies that offer skills and occupational training. It also works with other state employment training organizations to provide customized employee training to new, expanding, or existing businesses.
- Additionally, this division implements several state acts that provide financial assistance for economic development programs. These acts include:

  - *The Kentucky Industrial Development Act*: state income tax credits for up to 100% of debt service cost on land, buildings, site infrastructure, and equipment.
  - *The Kentucky Investment Fund Act*: individual, corporate or license tax credits up to 40% for individuals who invest in venture capital funds.
  - *The Kentucky Jobs Development Act*: up to 100% state income tax credit for non-manufacturing service or technology-related jobs.
  - *The Kentucky Rural Development Act*: state income tax credits up to 100% of debt service for new or expanding manufacturing projects in specific rural counties.
  - *The Kentucky Tourism Development Act*: large (costing over $1,000,000) tourism projects can recover up to 25% of their costs by getting refunded the 6% sales tax their visitors pay.

KCED also operates an extensive website that provide companies with information about the types of assistance they can receive and utilize. Using KCED's marketing slogan "Think Kentucky" as the website address (www.thinkkentucky.com), the site is user-friendly for companies seeking information about communities across Kentucky. The Economic Development Information System provides information on available buildings and sites, demographics, the workforce, companies, taxes, regulations, and the quality of life in all of Kentucky's cities and counties. Information for the site is coordinated through the Department for Business Development's Site Evaluation Division.

Budget

In FY2001, KCED's expenditures totaled $18,619,578, down 3.2% from FY2000. As indicated on the table on the following page, the creation of the Office of the Commissioner for the New Economy and the Coal County Development program represented the largest percentage increases in the cabinet's budget. Many of KCED's individual programs experienced cuts in their funding from the previous year, along with the entire department.

Kentucky Cabinet for Economic Development Budget			
	FY2000	FY2001	% Change
Secretary	$4,483,003	$4,486,662	0.1%
Executive Policy and Management	$3,312,228	$2,932,452	-11.5%
Office of the New Economy	$0	$841,738	N/A
Coal County Development	$370,775	$712,472	92.2%
East/West Corp Financial Assistance	$800,000	$0	-100.0%
Administration and Support	$2,135,950	$2,096,416	-1.9%
Business Development	$2,416,417	$2,587,955	7.1%
Community Development	$3,434,929	$3,062,500	-10.8%
Business and Entrepreneurship	$1,193,228	$834,166	-30.1%
Executive Policy and Management	$440,102	$473,277	7.5%
Small and Minority Business	$375,094	$387,178	3.2%
Regional Offices	$1,023,932	$1,022,589	-0.1%
International Trade	$402,573	$345,290	-14.2%
Financial Incentives	$6,762,737	$6,386,045	-5.6%
Financial Incentives	$1,884,554	$1,347,562	-28.5%
Bluegrass State Skills	$4,878,183	$5,038,483	3.3%
Total	$19,233,036	$18,619,578	-3.2%

Source: Kentucky Office of State Budget Director

OFFICE OF THE GOVERNOR – DEPARTMENT FOR LOCAL GOVERNMENT

Agency Overview

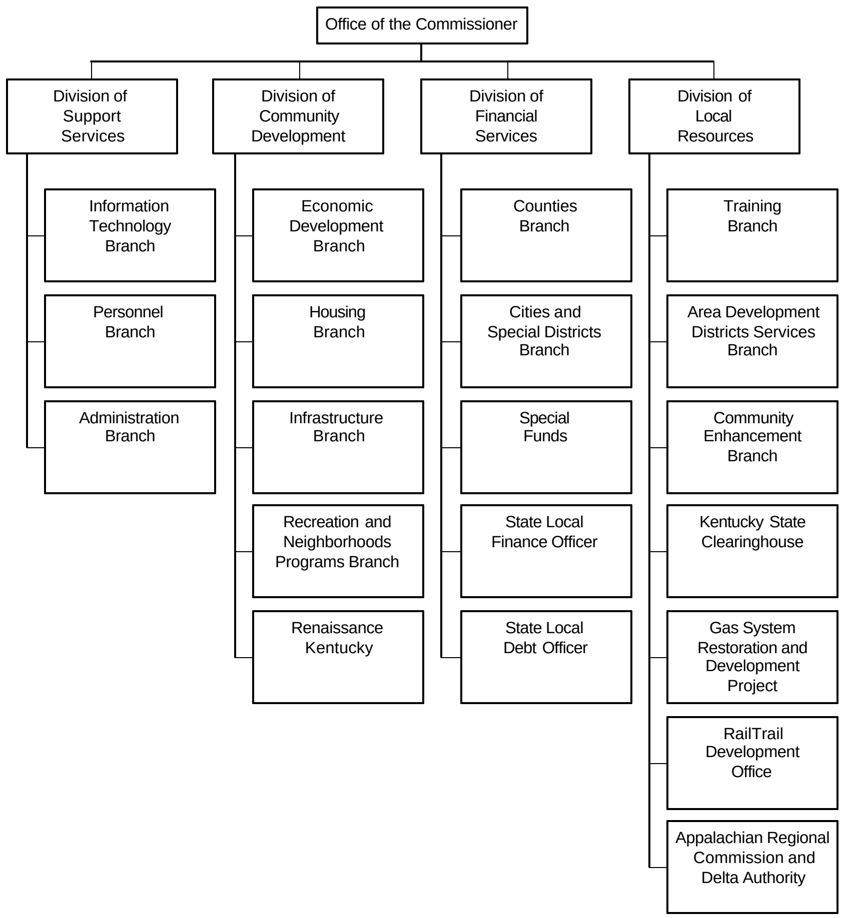
The Department for Local Government (DLG), an Office of the Governor, supports Kentucky's local communities and governments through financial, technical, and consulting assistance. The agency's stated vision is: "We will partner with Kentucky's local communities to enrich their citizen's quality of life"[5]. The DLG's services help improve these communities' low-income housing, recreational facilities, public infrastructure, and economic development.

Structure

With ultimate accountability to the Governor, a commissioner, who serves as the department's chief executive officer, heads the DLG. A deputy commissioner acts as the chief operating officer while supporting the administrative tasks of the commissioner. The DLG is divided into four divisions, the Division of Support Services, the Division of Community Development, the Division of Financial Services, and the Division of Local Resources.

[5] Kentucky Department of Local Government Website, http://www.kylocalgov.com/. January 2002.

Kentucky Department for Local Government



Key Programs and Operations

The **Division of Support Services** offers administrative, personnel and other types of internal assistance to the other three divisions.

The **Division of Community Development** administers several community and economic development projects including federally funded community development block grants (CDBGs), Renaissance Kentucky (Kentucky's downtown revitalization program), and other housing and infrastructure development programs. Communities must apply for these funds and the project must meet one of the three following requirements:

1. It must benefit low or moderate income families;
2. It must prevent slums or eliminate blight; and
3. It must meet other urgent community development needs.

In FY2001, the division expected to portion out approximately $34 million in CDBG funding for these types of projects. The table that follows indicates how this money is allocated among the divisions' various types of projects. Renaissance Kentucky is the statewide initiative to revitalize communities' main streets and downtowns.

DLG's Division of Community Development CDBG Funding (Approximate)	
Type of Project	**FY2001**
Public Infrastructure	$12,000,000
Economic Development	$5,000,000
Housing	$8,100,000
Community Projects	$6,049,000
Community Emergency Relief Fund	$1,000,000
Renaissance Kentucky	$2,000,000
Micro-enterprise Development	$250,000
Approximate Total	*$34,399,000*

Source: DLG Division of Community Development

The **Division of Financial Services** assists cities, counties, and special districts with their financial and personnel management. Additionally, the division also manages three special funds that were created by the General Assembly out of coal and mineral severance taxes and state motor fuel taxes. In FY2001, the Local Government Economic Assistance Fund, the Local Government Economic Development Fund, and the Area Development Fund combined distributed more than $64 million to local governments for economic development-related projects, particularly roads and highways.

DLG Special Funds			
	FY2000	**FY2001**	**% Change**
Local Government Economic Assistance Fund	$28,675,395	$31,534,241	10.0%
Local Government Economic Development Fund	$28,321,188	$30,807,386	8.8%
Area Development Fund	$1,000,000	$2,000,000	100.0%

Source: Kentucky Office of State Budget Director

Lastly, the **Division of Local Resources** provides a variety of different services to local governments, as outlined below:

- The *Training Branch* provides training and instructional services to local government officials and employees.
- The *Area Development Districts (ADD) Services Branch* works with the State's 15 multi-county development regions to foster a cooperative partnership amongst local governments within the same ADD. The districts were first established in 1967 and became the official regional planning agencies for their designated areas in 1971.
- The *Community Enhancement Branch* distributes funds to communities seeking to enhance their natural and recreational endowments. For example, local communities can apply for up to a $50,000 grant to enhance their recreational trails. They can receive funds to enhance and develop their rivers, streams and watersheds. They can also receive funds from the federal Land and Water Conservation Fund, which provide money to communities seeking to protect open

spaces, watersheds, and wildlife habitats. This division also runs the Gas System Restoration and Development project, which is a revolving loan fund for public or private local natural gas distribution systems. The loan funds can be used to upgrade decrepit systems or to establish new gas lines that promote economic development in a community.

- The *RailTrail Development Office* promotes the conversion of abandoned rail lines into recreational trails. The office encourages public or non-profit agencies to acquire the right-of-way on these lines, as long as the state reserves the right to reuse those lines for future rail projects. The office will complete an inventory and feasibility study on all abandoned rail lines in Kentucky by June 2003.

- The Division of Local Resources also manages Kentucky's participation in two federal economic development programs, the *Appalachian Regional Commission* and the *Delta Regional Authority*. The Appalachian Regional Commission allocates funds for economic development programs in a 49-county area in eastern and south-central Kentucky. The recently created Delta Regional Authority is a similar initiative that received a $20 million budget for FY2002 from the United States Congress. These funds will help spur development in specially designated counties in eight states along the Mississippi River: Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. Twenty-one of western Kentucky's counties are included in this authority.

Budget

The Department for Local Government had a budget for FY2001 of almost $55 million. This figure is up significantly from FY2000 and is about three times greater than the Cabinet for Economic Development's budget. The importance of this organization to local community and economic development is reflected in the relative size of its current budget.

Department for Local Government Budget

	FY2000	FY2001	% Change
Commissioner	$1,429,850	$2,278,691	59.4%
Support Services	$1,193,125	$1,281,889	7.4%
Community Programs	$35,715,793	$45,329,568	26.9%
Financial Services	$1,095,200	$1,082,844	-1.1%
Local Resources	$4,722,400	$4,958,023	5.0%
Total	$44,156,368	$54,931,015	24.4%

Source: Kentucky Office of State Budget Director

TOURISM DEVELOPMENT CABINET

Agency Overview

Kentucky's Tourism Development Cabinet "serves to promote, develop, and maintain facilities for the State's third largest industry – tourism"[6]. Kentucky's tourism industry is estimated to be worth about $8.2 billion annually. The main functions of the Tourism Development Cabinet are marketing

[6] Kentucky Tourism Development Cabinet Website, http://www.state.ky.us/tour/latta.htm. January 2002.

and operating Kentucky's tourist attractions. "Kentucky: It's *That* Friendly" is the adopted slogan of the Department of Travel and Welcome Centers and others services help attract tourists to the State.

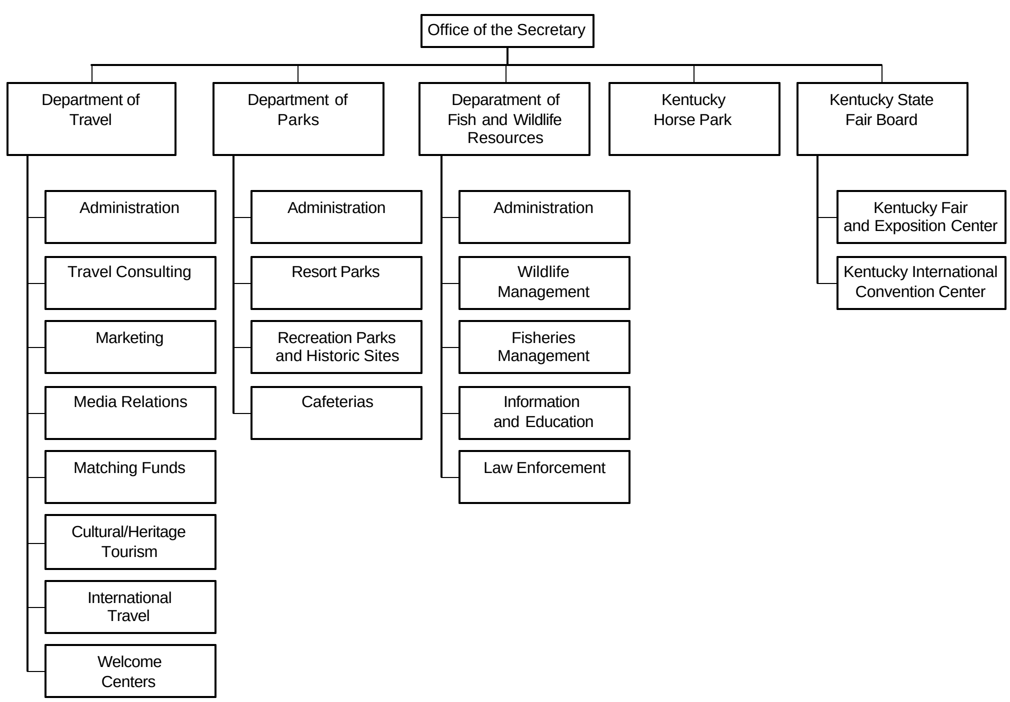
The key program the Tourism Development Cabinet uses to encourage the building of new tourist facilities is the Kentucky Tourism Development Act. Discussed previously in the Cabinet for Economic Development section, the Act allows developers of large tourism-related projects to recover up to 25% of their costs through the sales tax of the project's customers. The project must cost more than $1 million, attract at least 25% of its visitors from out of state, be open to the public at least 100 days a year, and have a significant economic impact on the State. Types of projects eligible for this assistance include:

- Cultural, historical, recreation or entertainment facilities;
- Areas of scenic beauty or distinctive natural phenomena;
- Entertainment destination centers;
- Kentucky crafts and products centers; and
- Lodging when built on state or federal parks and recreational land, built with a recreational component that costs more than the lodging facility, or involves the restoration of an historic structure.

The Office of the Secretary also administers the Kentucky Film Office's Film and Video Production Tax Credit, which provides sales and use tax rebates to companies that film in Kentucky.

Structure

Kentucky Tourism Development Cabinet



There are five agencies within the cabinet (the approximate number of staff in each department presented in parenthesis). The Secretary of the Cabinet manages the agencies.

- The Department of Travel (70);
- The Department of Parks (1,300);
- The Department of Fish and Wildlife Resources (500);
- The Kentucky Horse Park (90); and
- The Kentucky State Fair Board (330).

Key Programs and Operations

The **Department of Travel** operates as the primary marketing arm of Kentucky's tourism industry and operates the State's eight Welcome Centers. The Department is divided into eight different divisions: Travel Consulting, Marketing, Media Relations, Matching Funds, Cultural/Heritage Tourism, International Travel, Welcome Centers, and Administration. It should be noted that Kentucky's advertising budget is nearly $5 million.

The **Department of Parks** is responsible for managing and operating the State's 50 parks. The **Department of Fish and Wildlife** oversees the State's fishing, hunting and boating programs and also helps protect fish and wildlife habitats. The **Kentucky Horse Park** is a 1,200-acre facility dedicated to promoting the State's historical links with horses. This agency manages the daily operations, marketing, and development of the park. The **Kentucky State Fair Board** runs the Kentucky Fair and Exposition Center in Louisville. The FY2001 economic impact of this facility was estimated at about $427 million.

Budget

As shown below, the FY2001 budget increased 3.2% from FY2000. The largest percent increases were in the Office of the Secretary and the Kentucky Horse Park.

Tourism Development Cabinet Budget			
	FY2000	**FY2001**	**% Change**
Secretary	$1,257,939	$1,497,503	19.0%
Breaks Interstate Park	$200,000	$196,000	-2.0%
Travel	$6,904,026	$7,096,316	2.8%
Executive Policy and Management	$479,213	$503,647	5.1%
Tourism Services	$1,788,682	$1,688,467	-5.6%
Marketing and Advertising	$4,636,131	$4,904,202	5.8%
Parks	$75,712,932	$77,389,299	2.2%
General Administration and Support	$9,196,987	$9,206,300	0.1%
Resort Parks	$52,197,182	$54,414,600	4.2%
Recreation Parks and Historic Sites	$13,308,311	$13,130,400	-1.3%
Cafeterias	$1,010,452	$637,999	-36.9%
Fish And Wildlife Resources	$31,129,772	$32,063,083	3.0%
Kentucky Horse Park	$6,406,057	$7,084,802	10.6%
Kentucky State Fair Board	$26,928,032	$28,035,017	4.1%
Kentucky Fair and Exposition Center	$22,703,223	$23,802,241	4.8%
Kentucky Int'l Convention Center	$3,853,809	$3,861,776	0.2%
Debt Service	$371,000	$371,000	0.0%
Total	$148,538,758	$153,362,020	3.2%

Source: Kentucky Office of State Budget Director

Secondary State Community and Economic Development Agencies

This section provides a brief description of the responsibility and programs of the two secondary community and development agencies in Kentucky.

The **Workforce Development Cabinet** provides programs and services to the State's workforce. For a state and its economy to develop fully, the local workforce must possess the necessary education and skills that allow them to acquire jobs in today's continuously changing economy. The cabinet is comprised of six departments:

- The Department of Training and Reemployment;
- The Department of Employment Services;
- The Department of Adult Education and Literacy;
- The Department of Technical Education;
- The Department of Vocational Rehabilitation; and
- The Department for the Blind.

The importance of this cabinet and the amount of services its offers to Kentucky's workers are reflected in the size of its budget. In FY2001, the Workforce Development Cabinet budget was approximately $593 million. Meanwhile, FY2002 projections for staffing of this cabinet call for 2,486 total employees.

Another agency that secondarily deals with Kentucky's community and economic delivery system is the **Kentucky Infrastructure Authority**, which is an office of the Governor. The Kentucky Infrastructure Authority administers various types of funding for projects related to public infrastructure. These funds include:

- The federally assisted *Wastewater Revolving Loan* for wastewater treatment and collection facilities;
- An *Infrastructure Revolving Loan* for infrastructure that promotes economic development;
- The *Government Agencies Program* that provides improved access to the municipal bond market; and
- The *Solid Waste Revolving Loan Fund* for solid waste facilities.

Total spending in FY2001 totaled $1.3 million. The Authority forecasts a full-time staff of 12 in FY2002.

Florida

FLORIDA'S COMMUNITY AND ECONOMIC DEVELOPMENT DELIVERY SYSTEM

System Overview

Florida's current community and economic development delivery system consists of public-private partnerships and State agencies working together to ensure the State's economic health. The introduction of public-private partnerships to the State's economic development efforts began in 1992, when the Legislature created Enterprise Florida, Inc. (EFI), a partnership between government and business leaders. When the Florida Department of Commerce was dissolved in 1996, EFI became the lead state economic development agency, with its mission to increase economic opportunities for all Floridians by enhancing the creation of quality jobs, a well-trained workforce, and globally competitive businesses. The organization works with a statewide network of economic development partners to fulfill this role.

Also aiding in the role of community and economic development are the Florida Tourism Industry Marketing Corporation, also known as "VISIT FLORIDA" (VF), the State's official tourism marketing corporation; the Florida Department of Community Affairs (DCA); and the Agency for Workforce Innovation (AWI), which is responsible for administering workforce development programs, welfare transition, unemployment compensation, and compiling labor market information.

Florida's partnership approach to community and economic development is unique in the United States. Highlighted below are some of the delivery system's key points:

- Two of the public-private partnerships – Enterprise Florida and VISIT FLORIDA – are true partnerships and actively involve practitioners in the fields that they work to promote.
- Enterprise Florida and VISIT FLORIDA are "one-stop" agencies that offer all of the services a client would need in each agency's respective field.
- The agencies profiled complement each other in terms of what they contribute to the State's economic development efforts and work together on several programs.
- Private sector matching funds, both cash and in-kind are available from EFI and VF.
- Specific benchmarking and measurement is mandated by the legislature.

Primary State Community and Economic Development Agencies

There are three agencies that are considered primary community and economic development agencies in Florida:

- Enterprise Florida, Inc.;
- The Department of Community Affairs; and
- VISIT FLORIDA.

Secondary State Community and Economic Development Agencies

In addition, there is one other agency that is considered a secondary community and economic development agency:

- The Agency for Workforce Innovation

Primary State Community and Economic Development Agencies

The State of Florida has three primary community and economic development agencies that focus on the major components of the field: Enterprise Florida, Inc. (EFI), VISIT FLORIDA, and the Florida Department of Community Affairs (FDCA). The following table summarizes the functions, program areas, and available resources of each agency.

State Agency	Functions	Policy or Program Areas	Total Staff	FY 2001 Total Funds
Enterprise Florida, Inc.	Job creation through business attraction and expansion; export assistance; branding; development assistance to rural and urban areas	Business retention and recruitment International trade Marketing	81	$12.2 million
VISIT FLORIDA	Direct mass media marketing; work with travel journalists, agents, and tour operators around the world; representation of the State at travel trade shows; operation of State's five official Welcome Centers	Advertising National and international sales New product development Partner development Public relations Promotions Research Visitor services	119	$21.6 million
Florida Department of Community Affairs	Planning assistance to communities; review of comprehensive plans and large developments; administration of grants	Local planning State planning Administration of State and federal grants	378	$709.9 million

ENTERPRISE FLORIDA, INC.

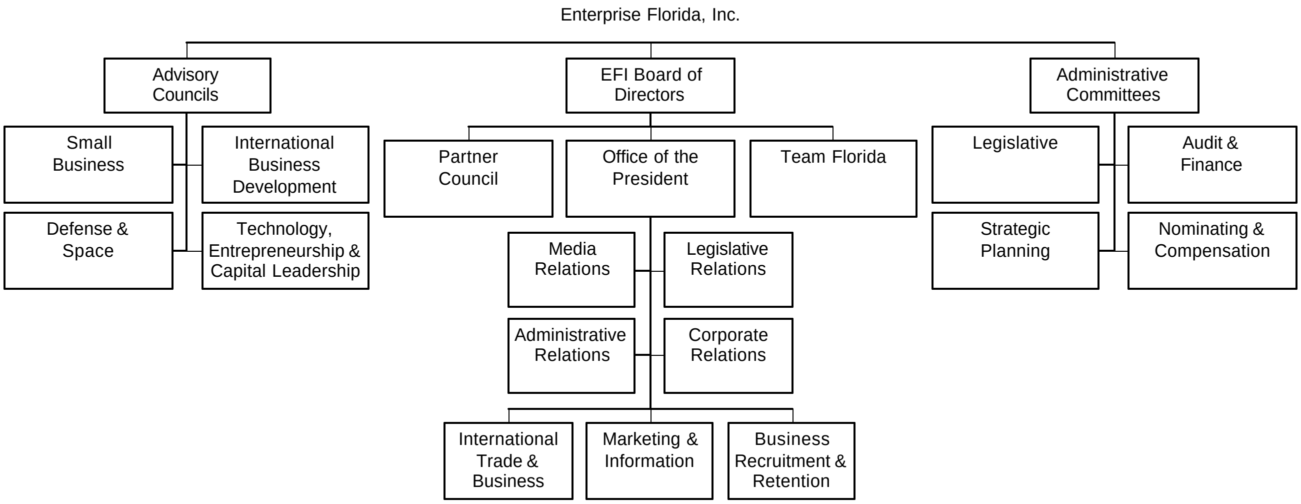
Agency Overview

Enterprise Florida, Inc. is a public-private, non-for-profit partnership between Florida's government and business leaders that acts as the primary economic development organization for the State. Created by the State Legislature in 1992, it replaced the Florida Department of Commerce in 1996 upon that agency's abolishment. Florida was the first state in the nation to place complete responsibility for economic development efforts in the hands of a government-business partnership.

Enterprise Florida's mission is to increase economic opportunities for all Floridians by enhancing the creation of quality jobs, a well-trained workforce, and globally competitive businesses. The organization works with a statewide network of local and regional economic development partners to fulfill this role.

Structure

Enterprise Florida contracts with the Office of Tourism, Trade, and Economic Development (OTTED), a part of the Governor's Executive Office, for service delivery. The 37-member EFI Board of Directors is the sole governing authority of the partnership. The Governor acts as chairman of the Board, while top business leaders, practitioners, and government officials from around the State complete the membership.



EFI currently has 84 employees in its Florida offices. Its headquarters are in Orlando, where there are 49 staff members. Additional offices in Tallahassee and Miami house 13 and 17 employees, respectively. There are five field offices around the State to help with international trade. Additionally, there are representatives of Enterprise Florida in Canada, Mexico, Venezuela, Brazil, United Kingdom, Germany, Spain, Israel, South Africa, Japan, Korea, and Taiwan.

Enterprise Florida has four main operating centers in the form of the Executive Office and three divisions reporting to the President. The Office of the President has an active working relationship with the Partner Council, a statewide group with representation from all of the major chambers of commerce and metropolitan economic development organizations. This Council decides the work program of Team Florida and provides direct input into EFI's marketing plan and the Governor's economic development policy. They also collaborate with EFI as projects require and provide local support.

The three main divisions of Enterprise Florida are the Division of Business Retention and Recruitment, Division of International Trade and Business, and the Division of Marketing and Information.

The **Business Retention and Recruitment Division's** responsibilities are as follows:

1. Helping existing companies expand in Florida;
2. Assisting national and international firms locate and grow in Florida;
3. Targeting companies that will create high-value, high-wage jobs; and
4. Increasing urban core and rural development.

Enterprise Florida generally serves a supporting role when it comes to recruitment and expansion projects, with the local and regional development agencies responsible for client handling.

The main goal of the **International Trade Division** is to aid small and medium-sized companies with the export of their goods around the world. The Division also coordinates "Team Florida" missions to sell the State as a top location to businesses around the world.

The **Marketing and Information Division** aims to establish Florida as a pro-business state for both national and international companies by promoting its unique business location advantages, its resources, and its high quality of life. During FY 2000-2001, the Division created a new, high-tech brand for promotional purposes: eflorida. As a result, EFI's website address became www.eflorida.com. The site is a one-stop shop for businesses, site selectors, developers, and the media to gain information about doing business in Florida.

Enterprise Florida has an excellent working relationship with the Florida Department of Community Affairs and the Office of Tourism, Trade, and Economic Development. The organization, mission, and work processes of Enterprise Florida have allowed it to maintain good relations with other development agencies at the State, regional, and local levels.

Key Programs and Operations

The culture and philosophy of the "partnership" approach is the key operating principle of Enterprise Florida. EFI is marketed and operated as the one-stop economic development resource for the State.

Programs and services are offered directly to clients in the areas of business and workforce development. EFI also utilizes a network of State and local partners, including public agencies and non-profits, to provide additional services throughout the State.

Enterprise Florida has formally adopted the following mission statement to guide the organization's operations:

> *To increase economic opportunities for all Floridians by supporting the creation of quality jobs, a well-trained workforce, and globally competitive businesses.*

As evidenced in each division's responsibilities, recruitment is just one of several business development strategies in Enterprise Florida's operations. The primary programs and services of EFI are:

- Financing;
- Site location assistance;
- Commercialization of promising technologies;
- Export assistance;
- Workforce recruitment and training;
- Business expansion assistance; and
- Technical manufacturing assistance.

EFI's priorities are evident in many of the key programs and innovations highlighted in the following points.

- EFI has tax-exempt bond financing capacity through the *Florida Development Finance Corporation (FDFC)*, a legislatively created subsidiary. FDFC offers below market rate Enterprise Bonds for small and medium-sized manufacturers and the following types of non-profit organizations: educational, healthcare, service, and cultural. Enterprise Bonds must be used to acquire property, construct or renovate facilities, or purchase industrial equipment. Certain exceptions in the enabling law permit these bonds to refinance existing debt. Available financing ranges from a minimum of $500,000 to a maximum of $2 million.

- The *Capital Access Plus Program* increases the availability of financing for manufacturers and technology-oriented research and development companies. Manufacturing and R&D companies with less than 100 employees are eligible for loans of up to $250,000. Loans may be used for working capital, lines of credit, purchasing assets, and other similar business purposes.
- The *Quick Response Training Program* is Florida's primary training initiative. Quick Response offers customized, flexible training to new and expanding companies. Applicants to the program are notified of their enrollment within 10 days in order to be responsive to business needs.
- EFI has business development strategies for these eight target industries: Information Technology; Space/Aerospace/Aviation and Defense; Health/Biomedical and Biotechnology; Simulation and Modeling; Optoelectronics; Plastics; and Digital Entertainment.
- EFI recently began providing its partner economic development corporations with an online list of *international trade leads*, which can be accessed on EFI's website with a password. The local organization may then publish it for viewing on its website. If interested, the business is to print out the list from the local website, check the lead that they would like to pursue, and fax the information to Enterprise Florida. An EFI representative will contact them directly.
- In addition to custom training, Florida offers the following major State incentives:
    - *Qualified Target Industry Tax Refund (QTI):* Tax refund for each new job in a target industry
    - *Enterprise Zones:* 31 areas of the State are eligible for sales and corporate income tax credits
    - *Economic Development Transportation Fund:* A maximum of $2 million is available for projects facilitating company expansions or relocations
    - *Qualified Defense Contractors Tax Refund Program (QDC):* In support of the State's defense industry, a tax refund is available for certified contractors who pursue new contracts, consolidate contracts, or convert to civilian production.
    - *Rural Community Development Revolving Loan Fund Program (RCDRL):* Provides local governments with funding of "last resort" for projects that promote the economic viability of rural areas and create jobs.

Operations and Service Delivery

As previously mentioned, Enterprise Florida markets the State as a pro-business location and assists existing businesses through their main office in Orlando and satellite offices in Tallahassee and Miami. EFI also offers incentives to attract new business and industry. Once a business becomes interested in locating to Florida, the responsibility of winning the project transfers to the local economic development organization's representatives.

Performance Measures

The following table illustrates the performance measures authorized by the Florida Legislature for FY 2001-2002.

Performance Measures for Enterprise Florida, Inc.

Performance Measures	Florida Benchmark
Number of direct full-time jobs facilitated as a result of EFI recruitment, expansion, and retention efforts	33,000
Documented export sales attributable to programs and activities	$600 million
Number of qualified marketing leads generated through EFI programs	900
Satisfaction of economic development practitioners and other appropriate entities with EFI's economic development leadership	85%
Satisfaction of practitioners and other appropriate entities with marketing efforts	85%
Number of companies assisted with international trade	4,000
Number of active recruitment, expansion, and retention projects	500
Number of leads and projects referred to local economic development organizations (LEDOs)	200
Number of successful incentive projects worked with LEDOs	120
Number of times EFI's information services are accessed	TBD

Source: Florida Legislature, *Approved Agency Performance Measures and Standards for Fiscal Year 2001-2002*

In addition to performance and financial audits by the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), Enterprise Florida is independently audited each year by Ernst & Young LLP.

Budget

As a legislatively created public-private partnership, Enterprise Florida has different sources of funds and budget requirements than other State development agencies. The Legislature has mandated private sector matching requirements to ensure that EFI is not supported entirely by the State. The main requirement is a 100% match of the State's operating investment. For the current fiscal year, State support amounted to over $12 million. Specific qualifications were placed on what types of "matches" qualify:

- A minimum of $1 million of unrestricted corporate cash contributions; and
- An additional $400,000 in cash from other organizations or EFI products, fees, and programs.

The largest private sector contributions are generated through in-kind support. Companies and organizations regularly sponsor events, trade show participation, and publications and programs; contributions covering operating expenses like travel or professional services are also common forms of support.

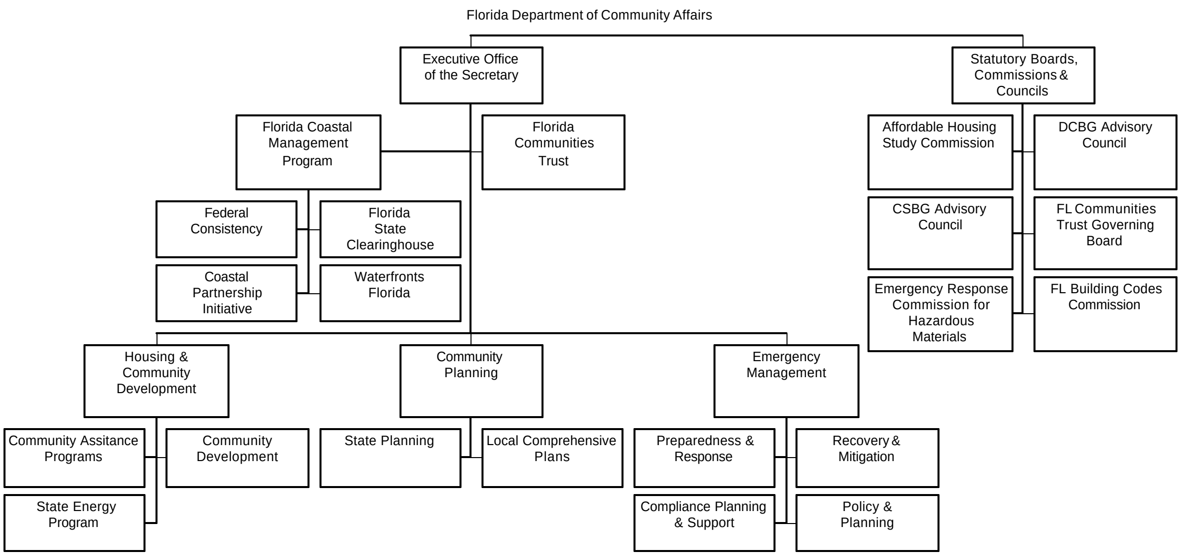
FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS

Agency Overview

The Florida Department of Community Affairs is one of the largest agencies in the State in terms of total funding. The mission of the FDCA is to assist Florida communities in meeting the challenges of growth, reducing the effects of disasters, and investing in community revitalization.

Structure

The Secretary of FDCA manages the agency with policy guidance from six different boards and commissions. The Executive Office of the Secretary performs all administrative functions and manages the Florida Communities Trust (preservation fund) and the Florida Coastal Management Program. The three operating divisions of FDCA are Emergency Management, Housing and Community Development, and Community Planning.



FDCA has a total staff of 362 full-time employees broken down as follows: Executive Office (109), Emergency Management (116), Housing and Community Development (69), and Community Planning (68).

Key Programs and Operations

FDCA has been a leading State agency in terms of State planning requirements, regional planning, and environmental management for over three decades. Unlike most community development and housing agencies, FDCA is also responsible for the State's sizable emergency management operation. Most of the community planning and coastal management functions overlap with the State's Department of Environmental Protection, regional water districts, and the 11 Regional Planning Councils (RPCs).

FDCA has adopted the following mission statement to guide its day-to-day activities:

> *To assist Florida communities in meeting the challenges of growth, reducing the effects of disasters, and investing in community revitalization.*

FDCA has also adopted a list of agency core values. The Executive Office of the Secretary created an Agency Strategic Plan in FY 1998-1999 to guide operations over a five-year period. A series of goals and specific strategies have been outlined for seven core issues:

1. Supporting Community Development;
2. Promoting Safe Communities;
3. Preventing Community Hazards;

4. Protecting Community Resources;
5. Enhancing Information Management;
6. Implementing Quality Management; and
7. Increasing Public Awareness and Support.

FDCA has defined goals, numerous strategies, and quantitative performance benchmarks in each issue area. The Agency Strategic Plan is considered an important management tool given the overlapping issues involved in its program areas and potential policy conflicts. FDCA shifted policies during the 1990s to emphasize "place-based" programs rather than general-purpose State programs. Implementing neighborhood or regional programs eases the ability to measure progress, has more concerted results than piecemeal projects, optimizes funding of successful programs, and allows best practices to be replicated successfully around Florida. Many of these programs originate as demonstration projects.

The **Housing and Community Development Division** has several programs that aid the State in its economic development efforts. Following is a brief description of these programs:

- FDCA's *Affordable Housing Catalyst Program* provides technical assistance and training to help communities implement the HOME Investment Partnerships Program, the Florida Housing Initiatives Partnership Program, and other affordable housing efforts.
- FDCA will distribute $18.8 million of federal *Community Services Block Grants* for FY 2001-2002, to assist community action agencies in helping low-income people achieve self-sufficiency.
- Florida's *Small Cities Community Development Block Grant (CDBG) Program* distributes over $32 million of federal funds for housing rehabilitation, neighborhood revitalization, commercial revitalization, and economic development projects in eligible communities.
- FDCA administers the federal grants for five *Empowerment Zone/Enterprise Communities Program* designations in Florida.
- The *Urban Infill and Redevelopment Assistance Grant Program* funds $2.5 million of competitive State grants to support programs that reduce urban sprawl, revitalize urban areas, and keep core urban areas strong.

The **Community Planning Division** also has a number of programs that are key components of the State's community and economic development system, as outlined below:

- *Technical Assistance Grants* are planning grants to newly incorporated municipalities for preparation of comprehensive plans.
- *Developments of Regional Impact (DRI)* and the *Florida Quality Development Program* are the review processes for large-scale developments with regional impacts. FDCA provides recommendations to local governments about managing and approving these developments.
- The *Areas of Critical State Concern Program* protects five defined areas of the State with resources and facilities of major statewide significance. The current critical areas include two cities and three natural areas. These areas are incorporated into the review process for local comprehensive plans.
- The *Optional Sector Plans Program* provides incentives to improve the level of planning above minimum standards. This program is an alternative to the DRI process.

- FDCA's *Affordable Housing Study Commission* makes annual public policy recommendations to the Governor and Legislature regarding affordable housing and community revitalization. The Governor appoints 21 citizens to serve on the Commission.
- Authorized by the Florida Legislature in 1996, the *Sustainable Communities Demonstration Project* has six principles to improve the long-term future of communities by improving planning. The project principles are as follows:

    1. Restore key ecosystems;
    2. Create quality communities and jobs;
    3. Create a healthier environment;
    4. Limit urban sprawl;
    5. Protect wildlife and natural areas; and
    6. Advance efficient use of land and resources.

FDCA approved five demonstration projects and formed the *Florida Sustainable Communities Demonstration Project Network* to benefit all of the original 29 applicants. The Network communities share information and receive technical assistance from FDCA. A Florida Sustainable Communities Center website is in place to make project information and related resources readily available.

To further assess the effectiveness of Florida's growth management efforts already underway through FDCA, and to identify revisions needed for the 21st century, Governor Jeb Bush created the Florida Growth Management Commission. The 23 members of the Commission included local elected officials, environmentalists, planners, and State legislators. The Governor charged the Commission with the task of reviewing the content of local comprehensive plans and determining whether to repeal the Development of Regional Impact Program or modify it. The Commission developed a State rural policy and also considered whether or not current law adequately protects the rights of property owners.

The Florida Growth Management Commission completed its work with the delivery of *A Livable Florida for Today and Tomorrow: Growth Management Study Commission Final Report* in February 2001. In its report, the Commission recommended eight items for the Legislature to consider. Among them was the need for revision of the State Comprehensive Plan to make a healthy economy a priority for Florida; implementation of regional cooperation agreements to eventually replace the Development of Regional Impact process; and authorization of incentives for an effective urban revitalization policy.

Operations and Service Delivery

The Housing and Community Development Division has regional representatives in each of the 11 Regional Planning Council areas in addition to its staff at the FDCA's headquarters in Tallahassee. The Community Development Division's Bureau of Local Planning assigns a representative to each local government to assist them with planning issues on a daily basis. The Bureau of Local Planning also has three Regional Review Teams responsible for reviewing local comprehensive plans, providing technical assistance, and performing regional reviews for other FDCA programs. The three regions served by the teams overlap the State's 11 Regional Planning Councils. The purpose of the teams is to provide more effective, "hands-on" assistance to local and regional planning agencies.

Performance Measures

The following table outlines the approved agency performance measures and standards for the current fiscal year.

Performance Measures for Florida Department of Community Affairs

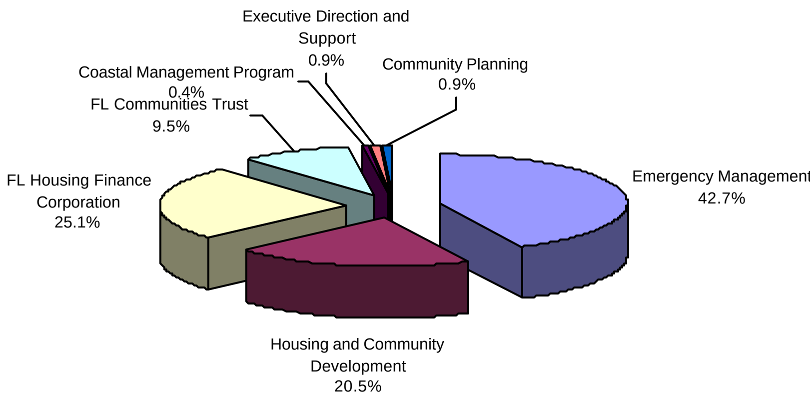
Performance Measure	Florida Benchmark
COMMUNITY PLANNING DIVISION	
Percent of local comprehensive plan amendments determined in compliance with the Growth Management Act	98%
Percent and number of local governments receiving technical assistance to implement a community planning component, or a process impacting a community, or included in a comprehensive plan that exceeds minimum requirements of FL statutes and administrative rules regarding such issues	10%/24
Number of new plans reviewed	3
Number of plan amendment packages reviewed	860
Number of local government evaluation and appraisal reports (EARs) reviewed	15
Number of planning grants administered	21
Number of technical assistance initiatives undertaken	425
Number of plans the adequately address disaster mitigation	45
Number of developments of regional impact managed	360
Number of Areas of Critical State Concern Grants Administered	2
Number of Area of Critical State Concern development orders reviewed and final orders issued	8,080
HOUSING AND COMMUNITY DEVELOPMENT DIVISION – Affordable Housing/Neighborhood Redevelopment	
Number of neighborhoods assisted and improved through CDBG programs, empowerment zone programs, urban infill programs, affordable housing programs, and long-term redevelopment programs	154
Number of people trained/served	500
Number of grant awards managed	76
Number of people trained/served	2,240

Source: Florida Legislature, *Approved Agency Performance Measures and Standards for Fiscal Year 2001-2002*

Budget

FDCA has a very large total budget due in part to the collection of federal pass-through funds associated with its functions, and emergency management in particular. The total operating budget for FY 2001-2002 is over $709 million. Emergency management claims nearly 43% of the Department's total budget with over $303 million in appropriations. Housing and Community Development accounts for $145.5 million, or almost 21% of the total. The Community Planning Division has approximately $6.6 million of the agency's current budget. In addition, the Florida Housing Finance Corporation, Florida Communities Trust, Coastal Management Program, and Executive Direction and Support receive funding from FDCA's total appropriations. The majority of the Department's State appropriations are designated through several different trust funds rather than general- purpose appropriations.

Budget Appropriations by Division and Program, FDCA, FY 2001-2002



Source: General Appropriations, FY 2001-2002 and OPPAGA Analysis

VISIT FLORIDA

Agency Overview

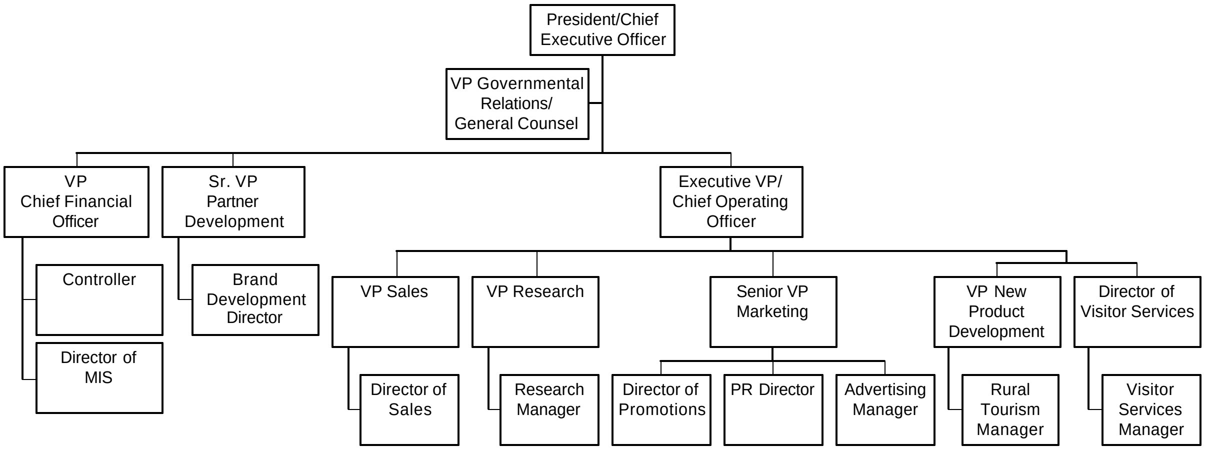
Created in 1996, the Florida Tourism Industry Marketing Corporation conducts business as VISIT FLORIDA and is the operating arm of the Florida Commission on Tourism (FCT). VISIT FLORIDA is another of the State's public-private partnerships and most of its funding comes from private sources. Its goal is to promote tourism for the economic health of the State.

Structure

The Legislature created the Florida Industry Marketing Corporation/VISIT FLORIDA to replace the Department of Commerce's Division of Tourism. The Florida Commission on Tourism – part of the Office of Tourism, Trade, and Economic Development (OTTED) – contracts with VISIT FLORIDA to implement the programs and activities identified in FCT's four-year marketing plan. VISIT FLORIDA is the direct support organization to the Florida Commission on Tourism and serves as an umbrella organization to coordinate the State's tourism promotional campaigns.

VISIT FLORIDA is a large organization with over 100 employees. The President/Chief Executive Officer oversees all operations of the agency. Working with him is the Executive Vice President/Chief Operating Officer.

VISIT FLORIDA



Key Programs and Operations

As a public-private partnership, VISIT FLORIDA actively involves practitioners from the tourism industry in its operations. By becoming a Partner of VISIT FLORIDA, tourism-related vendors receive the benefit of publicity on the State's official tourism website, www.flausa.com. Partners program members also have access to their own website, www.flausa-partners.com, where they can gain direct access to and communication with VISIT FLORIDA programs, information, and staff.

VISIT FLORIDA's main task is to promote the State's tourism industry nationally and internationally. Its mission is *to market and facilitate travel to and within Florida for the benefit of its residents, economy, and travel and tourism industry*. As part of the Florida Commission on Tourism, VISIT FLORIDA participates in a strategic planning process for their efforts on an annual basis. FCT undertakes an annual evaluation of its overall goals, as well as updating performance measures for the individual departments. Growth is measured in areas such as out-of-state and in-state visitors, rental car surcharges, tourist related employment, taxable sales, local option tourist taxes, and private sector contributions. These yearly goals are analyzed and evaluated in order to set new levels of performance for the next year or amend existing ones. If the FCT fails to meet any of its performance standards, it must provide a detailed explanation to the Office of Tourism, Trade and Economic Development (OTTED). If OTTED is not satisfied with the explanation, it may reduce the FTC's quarterly funding by 1%.

VISIT FLORIDA has responsibilities in many areas related to its role of the upkeep of Florida's travel and tourism industry. They are Partner development, research, advertising, promotions, public relations, new product development, national and international sales, and visitor services. Following is an explanation of the responsibilities of each area.

The **Partner Development Department** generates the private side of the revenue equation and runs the Partners Program for the voluntary partnership investments. This program recruits tourism industry members who pay annual membership fees for special access to VISIT FLORIDA. In exchange, members receive preference in advertising and promotional opportunities. The number of private sector partners currently totals more than 2,600. Field offices in Orlando, Tampa, Ft. Lauderdale, and Tallahassee make direct contact with potential Partners. The largest business group represented in the Partnership is the Hotels/Motels/Resorts/Bed & Breakfasts sector. Major strategic alliances with the Florida Hotel and Motel Association, American Express Travel Related Services, Dollar Rent a Car, Alamo Rent A Car, and Delta Express have resulted in increased marketing capabilities for the organization.

The **Research Department** issues the State's official air and auto visitor numbers, along with visitor profile information and coordinated studies of traditional and non-traditional visitor segments, to help maximize marketing effectiveness. The department also tracks and monitors domestic and international travel trends, conducts surveys, and assesses the effectiveness of advertising and marketing efforts. These efforts supply the rest of VISIT FLORIDA, its advertising agency, state officials, Partners, and other members of the industry with important information needed to support and grow Florida's tourism industry.

The **Advertising Department** creates media that appeals to target audiences that Florida wishes to attract. The Department also develops cooperative advertising programs that allow the State's small tourism businesses to reach the largest possible number of potential visitors.

The **Promotions Department** seeks to create cooperative promotions that generate widespread awareness of Florida and the FLA USA™ brand, involving market-specific broadcast and print media, retail outlets, and packaged goods companies. Major emphasis is placed on promotions targeting Florida's top domestic origin markets, based on market share, existing visitation to Florida, and the potential of expanding that visitation and the opportunity to extend brand awareness. Any promotion must meet a minimum of a seven to one ratio between the resulting media equivalency and the value of the contributed products before it can be finalized. Each promotion is crafted to meet specific marketing objectives in terms of demographics, psychographics, media equivalency value, and total consumer impressions.

From October to December 2001, the Promotions Department coordinated consumer promotions that generated $7.8 million in media value and 446.1 million consumer impressions. Also, as part of the In-State/Drive Market Program, the Department created promotions that generated $2.3 million in media value and $183.8 million in consumer impressions during the same time period.

The **Public Relations Department** works closely with other departments at keeping a positive public perception of Florida as a desirable pleasure or business destination by providing the media with story angles, constant updates of what's new in Florida, and tourism industry contacts. The department also coordinates familiarization tours for domestic and international media.

The **New Product Development Department** helps to identify, inventory, and promote many of the State's little-known assets to increase the attractiveness of Florida to new and repeat visitors, and to extend their stay while in the State. The department works in conjunction with the Eco/Heritage Tourism Advisory Committee to coordinate and facilitate the collaborative efforts of the tourism and travel industry, private businesses, non-profit interest groups, and public agencies. By administering a grant program, the department assists counties and regions that do not have organized, funded, or staffed promotional efforts, particularly in the rural areas and those communities with limited public relations activities. As of June 30, 1999, 10 of Florida's rural counties had completed their ecological- and cultural-related tourism inventories.

The **National Sales Team** of VISIT FLORIDA maintains on-site sales offices in New York, Washington, DC, Chicago, and Dallas to serve the Northeastern, North Central, Mid-Atlantic, and South Central markets of the U.S. Team staff in Tallahassee promotes Florida to the Southeastern market. Full-time sales representatives in these offices maintain contact with key travel agents, tour operators, and meeting professionals to keep Florida in the "destination forefront." VISIT FLORIDA Partners and Florida tourism industry representatives stay involved in promoting their State through sales calls, educational roundtables, and trade and consumer shows. Team members in the Tallahassee office also work to promote Florida's meetings and convention business.

The **International Sales Team** maintains offices in London, Frankfurt, Tokyo, and San Paulo. The Montreal and Toronto offices are operated by The RMR Group, Inc., and serve the Canadian market. Offices in Argentina, Mexico, and Venezuela are contracted to Marketing Communications Worldwide.

The **Visitor Services Department** operates five official Florida Welcome Centers, located at four major points of auto entry into the State (I-10 in Pensacola, U.S. 231, I-75, and I-95) and one in the State Capitol Building in Tallahassee. The Centers host approximately 7,000 visitors per day (over 2.5 million per year).

VISIT FLORIDA's website (http://www.flausa.com/) is a primary focus of the organization's tourism efforts. A main focus of the web site is to offer potential visitors various resources in terms of travel planning. The website includes information about activities, accommodations, events, visitor services, weather, natural history, cultural history, sports, meeting planners, and general information about getting to and around Florida. One section of the site focuses on Florida's multicultural heritage and highlights the heritage and history of Florida's African, Cuban, and Native American inhabitants. The website is updated twice a month. During FY 1999-2000, the website generated 1,327,249 visitor inquiries.

In addition to the comprehensive website, VISIT FLORIDA publishes *The Florida Vacation Guide*. All of the listings and editorial descriptions from the Guide appear on the FLA USA website. Other publications are the *Florida Meeting Planner Guide*, *International Travel Planner*, and *Florida Official Travel Industry Guide*.

In response to the downturn in tourism due to the events of September 11, 2001, VISIT FLORIDA is placing special emphasis on the recovery of Florida's tourism industry, thanks to the State Legislature's approval of a special $20 million tourism advertising allocation. The organization has redirected its marketing campaign and teamed with over 50 industry organizations and businesses to advertise that now is the best time to visit Florida. This effort will continue through June 2002.

Operations and Service Delivery

VISIT FLORIDA's main goal is to generate tourism for the State. As a partnership, it actively promotes the businesses of those involved in the Partner program. Field office staffs in Orlando, Tampa, Ft. Lauderdale, and Tallahassee actively recruit new Partners. The national and international sales teams sell Florida as a vacation and convention destination for people around the world.

Performance Measures

Like Enterprise Florida, VISIT FLORIDA has performance measures for FY 2001-2002 that have been approved by the Florida Legislature. They are listed in the table below.

Performance Measures for VISIT FLORIDA

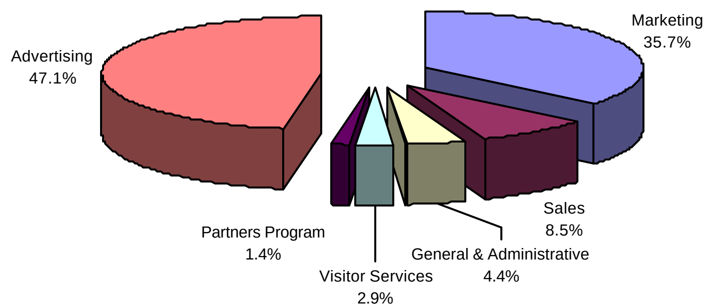
Performance Measures	Florida Benchmark
Sustained growth in number of travelers who come to and go through Florida ▪ Out of State ▪ Residents	 74.13 million 13.49 million
Sustained growth in the beneficial impacts that travelers in Florida have on overall economy ▪ Rental Car surcharge ▪ Tourism-related employment ▪ Taxable sales ▪ Local option tax	 $147.9 million 879,577 $56.0 billion $351.9 million
Growth in private sector contributions to VISIT FLORIDA	$51.0 million
Satisfaction with VISIT FLORIDA's partners and representative members of industry with efforts of VISIT FLORIDA to promote tourism	75%
Percentage increase of persons surveyed who vacationed in Florida during the last 12 months and who reported having participated in nature-based or heritage activities	TBD
Number of persons who inquired about nature-based or heritage activities while visiting the consumer website	TBD
Quality & effectiveness of paid advertising messages reaching the target audience (impressions)	575 million
Number of leads and visitor inquiries generated by VISIT FLORIDA events & media placements	2.3 million
Number contacting VISIT FLORIDA in response to advertising	525,000
Value & number of consumer promotions facilitated by VISIT FLORIDA	$28.3 million
Number of private sector partners	3,236
Private sector partner financial contributions through direct financial investment	$2.46 million
Private sector partner financial contributions through strategic alliance programs	$1.49 million

Budget

The State Legislature allocated $21.6 million from the Tourism Trust Fund to VISIT FLORIDA for FY 2001-2002 and mandates that the agency must reach a 100% match from private funds. In FY 1999-2000, VISIT FLORIDA received $43.1 million from private Partner donations, so it is safe to say that the agency will be able to more than match State funding again this year.

The majority of VISIT FLORIDA's expenses go towards Advertising and Marketing. During FY 1999-2000, the agency spent nearly 83% of its money on these two areas. The following chart shows the actual expenses for the agency for FY 1999-2000.

Actual Expenses, VISIT FLORIDA, FY 1999-2000



Source: *VISIT FLORIDA 1999-2000 Annual Report*

Secondary State Community and Economic Development Agencies

In addition to the three primary agencies discussed in the previous section, there is one other organization that has programs that contribute to community and economic development in Florida – the Agency for Workforce Innovation.

On October 1, 2000, the **Agency for Workforce Innovation (AWI)** began its work as the designated fiscal agent of Workforce Florida, Inc., which is a public-private partnership that acts as the principal workforce policy organization for the State. Under contract with Workforce Florida, AWI carries out policies related to workforce development programs, welfare transition, unemployment compensation, and labor market information. AWI's total budget for FY 2001-2002 is approximately $514.9 million with a staff of over 1,600 employees.

The Director of the Agency for Workforce Innovation heads the organization. His office consists of the Office of Communications, Office of General Counsel, and Office of Inspector General. Under the Director's Office are the Office of Workforce Investment and Accountability, Office of Workforce Services, and Office of Workforce Information Services. In addition to operating One-Stop Career Centers in 24 regions throughout Florida, AWI's programs include the following:

- *Business Incentives and Services* – Locate State and federal incentives, services, and benefits to assist businesses.
- *Florida Work Opportunity Tax Credit Program* – Information on tax credits and incentives for Florida employers.
- *Job Corps Program* – The nation's largest and most comprehensive residential education and job training program for at-risk youth from age 16 to 24.
- *North American Free Trade Agreement (NAFTA) Transitional Assistance Program* – Assists workers who lost their jobs due to increased trade with Canada or Mexico, or a shift in production to those countries.
- *Operation Paycheck* – Partnership with higher education to help laid-off workers find jobs.

- *Wagner-Peyser* – Information about the labor exchange program that brings together individuals who are seeking employment and employers who are seeking workers.
- *Welfare Transition Program* – Helps people go from welfare to work.
- *Welfare-to-Work Program* – Intended to help difficult to place welfare recipients move into lasting, unsubsidized jobs.
- *Workforce Development Initiatives* – First Jobs/First Wages, High Skill/High Wages, Better Jobs/Better Wages.

Ohio

OHIO'S COMMUNITY AND ECONOMIC DEVELOPMENT DELIVERY SYSTEM

System Overview

The state community and economic development system in Ohio is generally comprised of very large public agencies that are well funded. Ohio has consolidated major programs into large state development agencies that are characterized by relatively centralized operations and hierarchical structure, program driven local delivery, and limited state-level private sector involvement.

The lead economic development agency is the Ohio Department of Development (ODOD), which houses the major community and economic development functions with the exception of workforce development. Those responsibilities for workforce development and employment services fall to the Ohio Department of Job and Family Services (ODJFS), the result of a recent agency consolidation. ODOD transfers roughly 87% of its annual funding to businesses, government units and non-profits through and array of loans, bonds, and other finance programs. In addition to the state's economic development financing programs, Ohio has long been recognized as the leading state innovator for its approach to technology research and commercialization. While ODOD has always contained large community development and housing divisions, the agency's community development role is expanding with increased funding and new responsibilities legislated during the last year regarding utility deregulation.

The Ohio Department of Job and Family Services is a large, concentrated agency responsible for a wide range of workforce development, family support, and healthcare services. ODJFS is the result of the recent merger the Bureau of Employment Services and the Department of Human Services. The combined organization had 4,000 employees and a budget exceeding $10 billion in 2001. ODJFS is charged with implementing the State's Workforce Investment Act program. Three other agencies also play a role in the State's community and economic development system, as well: the Ohio Arts and Sports Facilities Commission, the Ohio Board of Regents, and the Ohio Department of Agriculture.

Private sector participation occurs at the local and regional level, but this participation is not systematic. Ohio has not pursued efforts to privatize certain functions of the state development system like states around the country. And the state agencies do not have a collection of state-level public-private partnerships, prominent business advisory councils, or other permanent private sector roles at the state-level. More typically, the Governor convenes ad-hoc task forces to address specific issues. The participation of the private sector is most evident at the program-level for technology initiatives, community service delivery, and the Governor's Regional Development Offices, which serve as a direct feedback loop for both the Governor and ODOD.

The following points highlight some of the major traits of Ohio's community and economic development system:

- The mode of service delivery in Ohio has generally been dictated by program-level characteristics of each agency division rather than any systemwide structural decisions.

- Federal funding and state funding are well leveraged in the Department of Development, the Department of Jobs and Family Services, and several secondary agencies like the Board of Regents.
- The lack of private sector participation at the state-level limits private sector funding and greater business input into state development policies.
- Ohio offers large number of business development incentives focused on "product development" – property acquisition, construction and infrastructure development.

Primary State Community and Economic Development Agencies

Ohio has one primary community and economic development agency:

- The Ohio Department of Development.

Secondary State Community and Economic Development Agencies

Additionally, the State has four secondary agencies in community and economic development:

- The Ohio Department of Jobs and Family Services;
- The Ohio Arts and Sports Facilities Commission;
- The Ohio Board of Regents; and
- The Ohio Department of Agriculture.

Primary State Community and Economic Development Agencies

The Ohio Department of Development is the State's lead development agency containing traditional economic development functions, community development programs and services, and the state housing finance agency.

State Agency	Functions	Policy or Program Areas	Total Staff	FY 2001 Total Funds
Ohio Department of Development	One-stop business development assistance for domestic and international companies; provides development finance options to businesses and communities; manages broad community development and housing programs.	Business expansion and retention Technology based economic development International trade Tourism Housing finance Community development Energy efficiency programs	500	$658 million

OHIO DEPARTMENT OF DEVELOPMENT

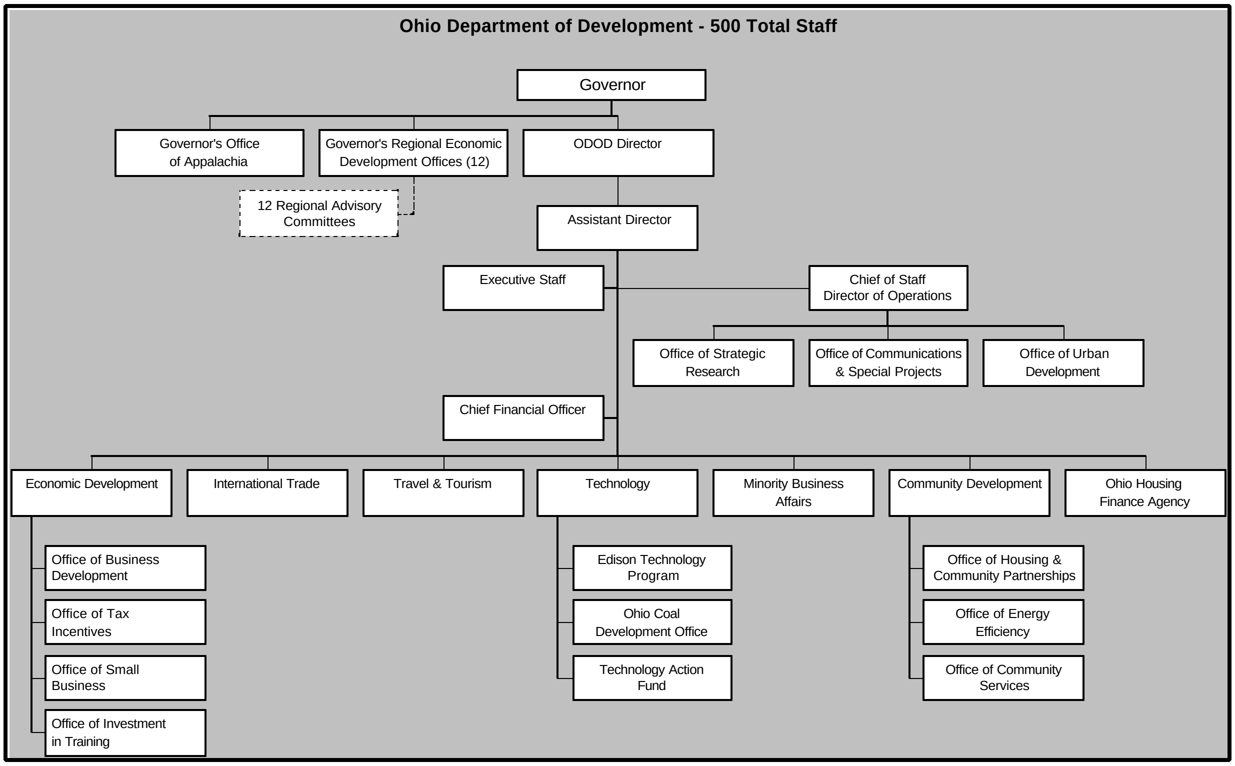
Agency Overview

For over 15 years, the Ohio Department of Development has been the central provider of state economic and community development assistance in Ohio. ODOD is a large public agency charged with providing the necessary financial and technical assistance to promote economic growth in Ohio communities. The agency employs a full range of state and federally funded programs to encourage job growth, job retention, community development, and improved housing. ODOD is generally recognized for its breadth of programming, the agency's portfolio of financial assistance, and the unique structure of its regional field offices.

Structure

ODOD is a large department organized like a traditional community economic and economic development agency. The department has seven functional divisions providing programs and services: Economic Development, International Trade, Travel and Tourism, Technology, Minority Business Affairs, Community Development, and the Ohio Housing Finance Agency. Within each division, there are multiple program offices administering programs, services and special initiatives such as the Steel Development Initiative now under the Office of Business Development. Due to the State's large number of finance programs, many offices also administer trust funds or other special purpose funds.

The Director of the department reports directly to the Governor. An Assistant Director and other executive management (CFO, Chief of Staff, and Deputy Directors) manage the daily operations. Most of the agency's 500 employees are located in the state capital of Columbus, with the exception of small teams in field offices.



ODOD maintains seven international trade offices in Belgium, Japan, China, Mexico, Canada and South Africa. Ohio also operates three joint offices in Argentina, Brazil and Chile through the Council of Great Lakes Governors. ODOD has 12 regional field offices around the State called Governor's Regional Economic Development Offices. These regional offices contain a total staff of three to six employees. Each office houses an Industrial Training Coordinator for the Ohio Industrial Training Program and typically has at least one administrative staff member.

A Regional Economic Development Representative appointed by the Governor manages each regional office and is considered part of the agency's executive staff. These representatives report directly to the Governor. Each regional representative provides ODOD program information and technical assistance to customers, and generally serves as a liaison between the state government and local communities. The local communities and businesses provide direct input to ODOD and the Governor through regional advisory committees in each region.

The organizational structure of ODOD follows the model of a large public agency. Each programming division is an operating unit reporting up the hierarchy to the agency directors. The relationship between the regional offices, ODOD, and the Governor is one of the most distinctive organizational features of the agency.

Key Programs and Operations

The mission of ODOD is to promote economic growth, create employment opportunities, and retain jobs in Ohio. Despite the large number of community development functions housed in ODOD, the stated purpose of department has historically focused narrowly on job creation and retention through business expansion. More recently, the agency has broadened its stated mission "to improve the quality of life of Ohioans."

ODOD does not have a formally adopted mission statement or agency-wide strategic plan. Like other state agencies in Ohio, the department has articulated several agency goals as part of the state budgeting process. The following six goals reflect the current diverse operations of ODOD more fully than prior mission statements:

1. Create and retain high paying employment opportunities.
2. Assist employers with workforce training funding.
3. Ensure the availability of safe, decent and affordable housing.
4. Assist communities with rehabilitation of neighborhoods.
5. Advocate and assist employers with international trade opportunities.
6. Enhance and assist Appalachian communities.

In addition to economic development priorities, these agency goals address ODOD's emphasis on housing issues, community development and distressed communities.

ODOD's operating divisions direct programs covering several areas of economic development: business development and incentives, international trade, technology development, and tourism. The community development programming addresses minority business affairs, housing, and a broad range of community development programs including several energy efficiency and affordability. ODOD has also undertaken several major initiatives targeting important development problems in Ohio. Some of the notable programs and services of ODOD are summarized in the following sections.

A series of incentives and business development programs make up the core of ODOD's economic development programming. **Economic Development Division** staff work in conjunction with regional representatives and local communities to assist relocating and expanding businesses regarding site selection, funding, custom job training, and technical assistance.

- The *Office of Tax Incentives* offers an array of performance-based incentives that primarily target business relocations and expansions, as summarized in the following table. The guidelines for these incentives are:
  - With performance-based financial incentives, ODOD enters a binding agreement with each incentive recipient regarding specified job creation/retention goals within a three-year period (e.g. minimum of $15,000 awarded per job).
  - Companies receiving direct financial assistance submit annual performance reports to ODOD for the three-year performance period.
  - ODOD randomly audits 15% of company reports to verify results.
  - Projects that do not meet the agreed upon performance goals are eligible for a time extension in certain circumstances, such as a sustained decline in sector productivity or employment.
  - The agency also has incentive review committees that review the financial stability of incentive awards and loans.
  - Many of these loans and incentives facilitate "product development" improvements – property acquisition, site improvements, infrastructure development, and facility

construction. Funding for the department's *Facilities Establishment Fund* has increased 150% to $78 million in 2001, and supports several such loans and bonds, including: rural industrial park loans, port authority bond reserves, urban redevelopment loans, and family farm loan guarantees.

Snapshot: ODOD Financial Incentives

ODOD administers a large portfolio of performance-based grants, loans and tax incentives focused on job creation and retention.	
■Business Development Grants	■Job Creation Tax Credit
■Buckeye (Direct) Loan Fund	■Manufacturing Equipment Investment Tax Credit
■Ohio Enterprise Bond Fund	■Enterprise Zones
■Port Authority Bond Reserve	■Community Reinvestment Areas
■Facilities Establishment Loans	■Small Issue Bonds
■Roadwork Development Funds	■R&D Sales Tax Exemption
■Pioneer Rural Loans	■Manufacturing Equipment Sales Tax Exemption
■Rural Industrial Park Loans	■Warehouse Equipment Sales Tax Exemption
■Urban Redevelopment Loans	■Warehouse Inventory Tax Exemption
■Urban & Rural Initiative Grants	■Ohio Investment in Training Program
■CDBG Econ. Dev. Grants	■Tech Investment Tax Credit

The remaining incentives administered by ODOD include tax credits, tax exemptions (including enterprise zones), and the *Ohio Investment in Training Program (OIT*P). *OITP* provides expanding manufacturing businesses funding and technical assistance necessary to train new employees. *OITP* is now budgeted at $20 million annually, after the state nearly doubled the appropriation in 2001.

- The *Office of Small Business* administers several programs that do not involve incentives. ODOD dedicated $2.5 million to small business programs and services in FY 2001. The programs administered by the Office of Small Business include:

    - *Ohio Small Business Development Centers (SBDC)*: The State's SBDC network is operated through federal, state and private funding totaling more than $10 million. The centers provide technical assistance and counseling to start-ups and small businesses through more than 60 community partnerships between government agencies, academic institutions, and private businesses in Ohio.
    - *1st Stop Business Connection:* Provides entrepreneurs and small businesses with information (online an offline) and technical assistance regarding business licensing and state resources catering to small businesses. The Ohio SBDC network operates the program.
    - *Women's Business Resource Program*: This program provides women-owned businesses with tailored assistance regarding management, government contract opportunities, and access to funding.

- The *Labor-Management Cooperation Program* supports community-based labor relations committees and provides support services to companies on a regional basis. The program operates on a modest budget of $1.2 million per year.

In the **International Trade Division**, ODOD provide Ohio companies export assistance and market research, attending trade shows, leading business missions, and managing an export finance program.

- Under the *Ohio Export Finance Initiative*, ODOD collaborates with export finance providers to help companies access the programs of the Ex-Im Bank, U.S. Small Business Administration, other government sources, commercial banks, and alternative services. Services can be delivered regional through *International Trade Assistance Centers* co-located in SBDCs around the State.
- The International Trade division is also responsible for operating the State's seven *foreign trade offices* and three shared offices in South America. These international offices represent Ohio companies interested in international markets and try to attract foreign direct investment in back in Ohio. The Agent-distributor search is one of the most heavily used services the international offices offer Ohio companies. In 2001, this division was allocated $5.4 million to operate programs Columbus, regionally, and the international offices.

Ohio continues to expand and update the state's technology-based economic development programs. The **Technology Division** of ODOD manages several programs facilitating more technology research, commercialization, and entrepreneurial tech start-ups. Funding for these programs totaled over $54 million in FY 2001.

- The longstanding *Thomas Edison Program* is the department's flagship technology initiative and has received national recognition[7]. This program has three parts summarized in the graphic below. The seven *Edison Technology Centers* serve as a local/regional "R and D" center for a specified technology cluster[8]. The 10 *Edison Technology Incubators* support and grow entrepreneurial technology business around the state. Lastly, the two federal commercialization centers improve the accessibility of state-of-the-art federal research facilities for Ohio businesses. The *Thomas Edison Program* was allocated $25 million in state

Snapshot: Edison Technology Program

This long-established program relies on public-private partnerships between businesses, academia and government agencies. The three system elements focus on technology commercialization and new tech business formation.

1) Edison Technology Centers
- (7) Centers around OH funded by companies, universities, and gov.
- Each Center focuses on specific areas of tech research
- Member businesses can access applied research through the Centers or participating universities and federal labs
- Centers perform in-house research and contract research
- Economic development benefits = application of new technologies at OH businesses, spin-offs, critical mass, business attraction

2) Edison Technology Incubators
- (10) Incubators around the state offer low cost facilities to start-ups
- Firms receive expert business advice from professional management team and diverse Board of Trustees from academia and business

3) Edison Federal Technology Commercialization Centers
- Two gateway technology transfer centers provide OH businesses direct access to federal labs commercializing technologies
- Great Lakes Industrial Technology Center is a NASA facility
- Wright Technology Network is an Air Force research center

[7] ODOD has received awards from Corporation for Enterprise Development, the Carnegie Science, Technology and Government Commission, and ARPA (Department of Defense research body) recognizing Edison program.
[8] The seven technology sectors addressed by *Edison Technology Centers* are Industrial Systems, Advanced Manufacturing, Welding/Joining, Biotechnology, Information Technology, Advanced Materials, and Environmental Sciences.

funds last year and serves 10,000 businesses annually. ODOD provides matching grants to the various technology centers at a minimum ratio of $3 non-state (industry, academia, nonprofit or federal) per $1 of state support.

- The *Technology Action Fund (TAF)* has been established to complement the *Thomas Edison Program.* This fund awards competitive grants for the commercialization of new technologies. The new program was well-funded in 2001 with a $15 million appropriation and is administered by the Technology Division of ODOD. *TAF* is governed by the Governor-appointed Technology Action Board, which includes representation from the *Thomas Edison Program*, the Board of Regents, ODOD, and other state agencies.
- ODOD supports a variety of research programs designed to increase the application of technology in local industry and spur entrepreneurship.
  - The *Ohio Small Business Innovation Research Program* is one well-established research grant program serving for-profit companies with fewer than 500 employees. The program provides up to $100,000 for early stage research and a maximum of $750,000 for later stage research.
  - ODOD also offers generous research grants promoting coal research and development efforts to produce cost-effective, low pollution energy applications for the coal industry.
- A new biotechnology initiative is also being implemented by ODOD. The legislature created the *Biomedical Research and Technology Transfer Trust Fund* in the 2000.
  - The purpose of the fund is to invest state resources directly in technologies that improve the health of residents and expand economic growth.
  - A commission appointed by the governor and legislature has been studying the biotechnology field and will award its first grants in 2002.
  - This new trust fund and commission are being funded with proceeds from the Tobacco Settlement Fund.

The **Community Development Division** offers comprehensive programming through its offices of Housing and Community Partnerships, Energy Efficiency, and Community Services. In addition to offering traditional programs, it has placed an emphasis on improving energy efficiency to save residents and businesses costs. Community Development had the largest program budget of any division in ODOD. In 2001, the budget for community development programs was over $363 million, or 55% of the total agency budget. This large program budget is a function of the division's primary role administrating federally funded programs, including CDBG funds and various energy assistance grants.

- Community development responsibilities and funding have also been expanded by the state legislature. Two new state programs resulted from the state legislature's deregulation of electric utilities. Both of the following programs will be administered by the Office of Energy Efficiency within ODOD:
  - The *Universal Service Fund* is a special revenue fund established to assist low-income customers with utility payments and to fund consumer education. The revenue is derived from retail utility surcharges, customer payments for incremental plans, and revenues from municipal electrical utilities. The fund was appropriated $146 million in 2001.
  - *Ohio Energy Efficiency Revolving Loan Fund*: This fund provides residents and businesses incentives to invest in energy efficient systems or renewable energies by discounting interest rates on home/business improvement loans. A $12 million appropriation is proposed for 2002.

- Federally funded CDBG programs were the second largest community development area last year with over $55 million. These programs were distributed among housing rehabilitation, public works, and community economic development programs in distressed areas.
- The next largest programs were also federally funded: Home Energy Assistance Grants, Housing and Urban Development funds, CSBG programs managed by the Office of Community Services. Together with the CDBG program, these federally funded programs accounted for nearly 50% of ODOD's community development budget ($175 million).
- ODOD collaborates with other state agencies and the Governor's office to address important development issues and opportunities. The most recent special initiatives deal with the downturn of the state's steel industry, environmental preservation, and urban redevelopment policies:
    - *Steel Development Initiative*: ODOD has packaged a $110 million program to leverage public and private assistance for the State's steel industry. Much of the initiative's assistance comes from existing ODOD finance programs including loans and bonds for fixed asset investments (buildings or equipment), tax exempt financing of pollution control equipment, infrastructure grants for expansions, and training grants.
    - The *Clean Ohio Revitalization Fund* is a new funding vehicle for brownfield redevelopment. This fund was part of the *Clean Ohio Fund* proposed by the Governor and approved in a state referendum in 2000. The overall fund preserves greenspace, protects farmland, develops recreation, and addresses brownfields through the revitalization fund. The *Clean Ohio Fund* allocated $175 million over the next four years for the Clean Ohio Revitalization Fund.
    - ODOD collaborated with the Ohio EPA and DOT to develop a policy agenda for urban revitalization over the next five years. The policies were developed in response to the findings of the *Ohio Urban Revitalization Task Force* convened by the Governor. ODOD has acted on one of the early recommendations by establishing a new Office of Urban Development to focus state revitalization efforts.

Operations and Service Delivery

The service delivery system of ODOD is "organic" rather than being uniformly decentralized or centralized. This approach differs from those leading state development agencies that have been restructured to decentralize services into field offices or consolidated services in a one-stop service model.

The agency's functional programming divisions operate fairly autonomously under the umbrella of ODOD structure. Those divisions that primarily administer federal funds, such as Community Development and the Housing Finance Agency, have centralized service delivery model. Other divisions of ODOD have established a regional field presence on a program-by-program basis. As shown below, there are no unified service boundaries.

- *Governor's Regional Economic Development Offices* – 12 economic development outreach regions;
- *Small Business Development Centers* – Staff located throughout the state network of centers consistent with the Small Business Administration model;
- *International Trade Assistance Centers* – Co-located in *SBDCs*;
- *Procurement Technical Assistance Centers* – nine special purpose offices;
- *Minority Contractors and Business Assistance Centers* – nine offices in *MCBAC* service delivery regions

- Regional Industrial Training Coordinators – Co-located in Governor's regional offices to coordinate custom training;
- *Thomas Edison Program* – network of 19 technology centers and incubators are located near key resources (i.e. university research or federal facilities) with some co-location.

The Governor's Regional Economic Development Offices fill a coordinating role and help businesses navigate the different regional offices and service areas. The net result is a not a seamless, one-stop system; but ODOD has enough resources in the field to assist customers locally. At a minimum, regional representatives can inform customers about ODOD programs and direct them to appropriate contacts in the department. The majority of the agency's 500 employees are housed in central offices in the state capital of Columbus.

Performance Measures

The agency's formal performance measurement system is limited to its incentives program. ODOD was one of the first states in the nation to implement performance-based financial incentives over a decade ago. Companies receiving direct financial assistance submit annual performance reports to ODOD for the three-year performance period. ODOD monitors job retention and job creation goals. After three years, a formal performance evaluation is conducted to determine whether each project achieved full attainment (90% of goal), partial attainment (less than 90%) or non-attainment.

Budget

ODOD had a large total budget of $658 million in 2001 that reflects the number of functions concentrated in the department and a sizable commitment of state funds by the legislature. State funding from the Ohio's General Revenue Fund, the General Services Fund, and several special purpose funds accounted for about 55% of the budget; and, federal funding was roughly 40%-45% of the budget.[9]

ODOD Funding Sources, FY 2001

Source	Amount	% of Total Funds	Annual Change
Federal Special Revenue Fund	$215,279,000	32.7%	$20,983,000
State - General Revenue Fund	$140,615,000	21.4%	$29,732,000
State - General Services Funds	$9,951,000	1.5%	$25,000
DOT Highway Operating Fund	$12,500,000	1.9%	$3,033,000
State Special Revenue Funds	$188,828,000	28.7%	$155,872,000
State - Coal Research and Dev. Fund	$12,571,000	1.9%	$3,191,000
State - Facilities Establishment Fund	$78,227,000	11.9%	$46,578,000
Total	**$657,972,000**	**100.0%**	**$ 259,414,000**

Source: *Executive Budget for FY 2002 – 2003*, Ohio Office of Budget and Management.

In 2001, ODOD witnessed a substantial 65% annual budget increase over the previous year. The total department budget was $399 million in 2000.[10] The increase of nearly $260 million in 2001 was largely the result of several new state appropriations:

[9] State budget office data does not provide an exact breakdown of funding by source due to Ohio's state budgeting practices. Certain federal funds (including CDBG and TANF) are deposited into the state's General Revenue Fund and commingled with state disbursements to individual state agencies. Source: *2000 State Expenditure Report*, National Association of State Budget Officers

[10] Source: *Executive Budget for FY 2002 – 2003*, Ohio Office of Budget and Management.

- Special Revenue Funds: The legislature established the Universal Service Fund in 2000 to fund utility subsidies for low-income residents and a consumer education campaign. The program is funded by electric utility surcharges and contributed $146 million to the department's Community Development budget in 2001.
- *Facilities Establishment Fund*: This recently expanded revenue fund consists of economic development bonds proceeds (funded by liquor profits), loan repayments and service fees, interest payments and escrow fees. The $78 million fund is appropriated for various programs in the Economic Development Division that finance property acquisition, site development, infrastructure, construction, and equipment purchases.

Above average annual growth in the state General Revenue fund (27%) and the Federal Special Services Fund (11%) represented another $50 million of the ODOD annual budget increase.

ODOD has eight main program areas. As shown on the following chart, the majority of the budget was appropriated for community development (55%), economic development (22%) and housing (8%) programs, all of which are heavily focused on financial assistance. Over 87% of the total ODOD budget consists of loans and grant programs distributed throughout the agency's the eight program areas. Behind the new Universal Service fund, the largest community development expenditures are the Ohio CDBG program ($65 million), the home energy assistance program ($55 million) and housing and urban development programs ($35 million). Together those four major programs comprised 83% of the 363 million of community development funding.

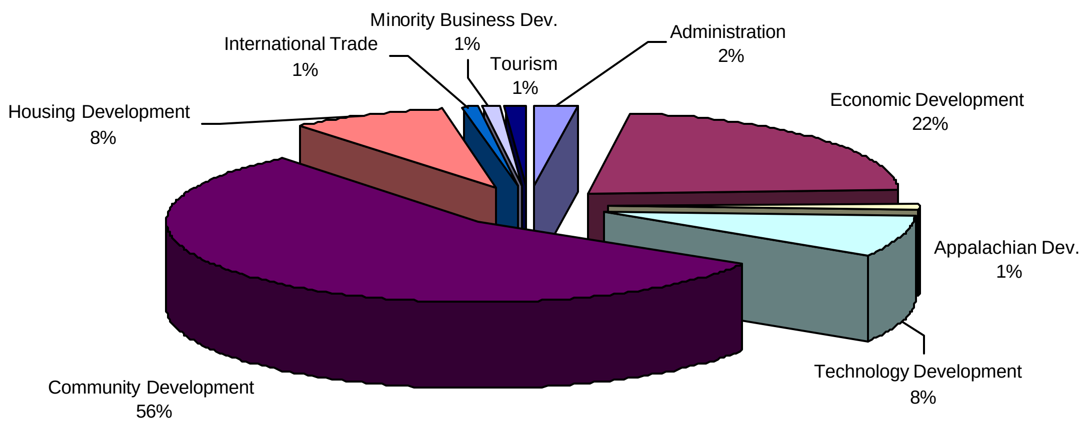
ODOD's $147 million budget for economic development activity is focused on traditional financing purposes such as the mentioned Facilities Establishment Fund. Several other programs that have received increased funding include:

- *Ohio Investment in Training Program* – $20 million in grants for custom job training;
- *Business Development Grants* – $14 million in grants for businesses and communities financing projects creating or retaining jobs;
- Roadwork Development - $12.5 million from the DOT Highway Operating Fund to finance road improvements related to qualified economic development projects.

The economic development portion of last year's budget also allocated $6.4 million to operate the Governor's Regional Economic Development Offices, the Business Development Office, and the Office of Training.

ODOD is spending over $54 million per year on technology development initiatives. The Edison Technology Centers account for almost half of this appropriation at $24 million, followed by $15.1 million in new Technology Action grants to support the commercialization of new technologies. Coal research and development funding increased significantly to $13 million in 2001.

Ohio Department of Development Budget by Program Area – FY 2001



Source: Ohio Office of Management & Budget

Total Budget = $658 million

The smallest program areas of the agency budget are tourism, Appalachian development, international trade, and minority business development. Funding for Appalachian development projects saw a 200% in funding last year. After consolidating programs from other state agencies under ODOD, the department now administers $7 million of programs serving Ohio's designated 29 Appalachian counties. In 2001, minority business development funding increased 70% to $4.8 million, while funding for tourism and international trade was unchanged.

The budget for ODOD demonstrates the department's major role as a source of financing for both economic development and community development projects. A large portion of the budget is comprised of federal pass-through funds for community development and housing. The agency's resource allocation also displays the agency's strong focus in traditional economic development activities like business development, site and infrastructure development, and international trade.

Secondary State Community and Economic Development Agencies

The responsibility for implementing Ohio's Workforce Investment Act programs has been assumed by the **Ohio Department of Jobs and Family Services**. Currently, the department operates 56 one-stop employment and training centers. The workforce development program budget totaled $1.7 billion last year. As summarized in the table, ODJFS administers all of the family support services and leads workforce development programming. Programs cover workforce development, employment services, unemployment, healthcare and Medicaid, child support, and family services. Programs are generally supervised by the agency and delivered via local service providers statewide. This broad responsibility for workforce development, healthcare, and human services programs results in an enormous, consolidated budget.

The **Ohio Arts and Sports Facilities Commission** makes high impact decisions regarding the construction and operation of professional sports facilities and cultural facilities statewide. The scope of the Commission's responsibilities has been expanded since being created in 1988. The

Commission is charged with assessing the need for facilities, determining state funding participation, and working with local governments to construct, improve and operate facilities. The legislature had the Commission lead the development of publicly-owned professional sports facilities. In the last five years, the Commission has participated in the construction of one minor league baseball stadium and two NFL stadiums. The Commission is now responsible for 107 arts and sports facilities projects and approximately $320 million in state capital appropriations. The Commission administers state funds for projects that have received specific appropriations through the state legislature.

Like many university systems over the last several years, the **Ohio Board of Regents** has become increasingly involved in state economic development program and policies. This evolution has been driven by market demand for technology and skilled workers, and new state policies expanding the role of the system. The legislature created several new technology-based initiatives for the Board of Regents in the 2000-2001 session. *The Ohio Plan* is a new initiative designed to generate more "R and D" and technology transfer in the biomedical technology, nanotechnology, and information technology sectors. The Board of Regents has also reinstated an Eminent Scholar program and increased funding for a research "challenge" program to attract greater outside (non-state) funding of technology research and commercialization. The significance of the Board of Regents to the State's technology development efforts is evident in the budget appropriations. The Board of Regents has a $100 million technology development budget (as compared to $54 million for ODOD).

The **Ohio Department of Agriculture** (ODA) has several programs directly impacting the economy. ODA spends over $35 million annually to operate the state Agricultural Research and Development Center. This center promotes industry best practices, new technology applications, and more profitable agricultural production. Two other important programs are the Cooperative Extension and a family farm loan program providing low interest loans.

Pennsylvania

PENNSYLVANIA'S COMMUNITY AND ECONOMIC DEVELOPMENT DELIVERY SYSTEM

System Overview

Pennsylvania has one of the best-funded and efficiently integrated community and economic development delivery systems in the United States. The lead state development agency in Pennsylvania is the Department of Community and Economic Development, which was formed in 1996 through the merger of the Department of Commerce and the Department of Community Affairs. Last year the agency received a combined $1.045 billion in state and federal funds.

During the early 1990s, Pennsylvania's economic development efforts were hampered by a high cost business climate, a negative perception as a business location, and many state-level economic development programs that were outdated or bureaucratic. Since then, the State has reorganized, reprogrammed, engaged private sector partners, and applied technology throughout the system. Because of the strong funding and revived operations, the State's development agencies have been well regarded by economic and community development practitioners. Some of the important features of the Pennsylvania system include the following:

- The Pennsylvania Department of Community and Economic Development (PDCED) has successfully linked the agency's comprehensive community and economic development functions.
- Pennsylvania is engaging the private sector through new public-private partnerships, including the Team Pennsylvania Foundation and a series of initiatives out of the Governor's Office.
- The lead development agencies, like the rest of the state government, are customer-service oriented and improving operations by moving services and information online.
- Pennsylvania has developed one of the most comprehensive development finance programs available at the state-level.
- State community and economic development policies emphasize flexibility, coordination, regional empowerment, and "bottom-up" solutions from communities.
- PDCED continuously modifies its offerings or eliminates outdated programs to maintain a high level of programming effectiveness.
- The Governor's Office provides quick, responsive leadership on strategic issues and provides regular policy guidance to facilitate integrated approaches between state agencies.

Prima ry State Community and Economic Development Agencies

Pennsylvania has two organizations that deal with issues specifically related to economic and community development:

- Department of Community and Economic Development; and
- Team Pennsylvania Foundation.

Secondary State Community and Economic Development Agencies

Pennsylvania also has several other agencies and organizations that devote some of their efforts to the delivery of state community and economic development-related programs:

- Pennsylvania Infrastructure Investment Authority;
- Pennsylvania Housing Finance Authority;
- Department of Labor and Industry;
- Department of Education's Bureau of Adult Education and Literacy;
- Pennsylvania Workforce Improvement Network; and
- Pennsylvania Rural Development Council.

Primary State Community and Economic Development Agencies

The two primary community and economic development organizations are outlined in the table below and are discussed as one organization in further detail following the table.

State Agency	Functions	Policy or Program Areas	Total Staff*	FY2001 Expenditures
Pennsylvania Department of Community and Economic Development	One stop resource providing business assistance, finance programs, community development and local capacity building and technology-based economic development	Business development International Trade Tourism Technology development Workforce development Development finance and venture capital Community building and regional development	344	$1.045 billion
Team Pennsylvania Foundation	Public-private partnership, leads business retention, improves service delivery through technology, serves as the State's workforce investment board	Business retention Workforce development Cooperative marketing and state image enhancement campaigns Export assistance	N/a	$5.6 million in state funding, private $ not available*

* From PDCED budget.

PDCED serves as the "one-stop" contact for community and economic development programming. The department offers programs and services in the areas of business development, community services and local capacity building, tourism promotion, international trade, technology and capital development, finance, and workforce development. Certain services, such as workforce training, are provided in conjunction with other agencies, but the agency remains the principal source of economic development assistance.

The Team Pennsylvania Foundation (Team PA)[11], a private 501 (c)3 non-profit corporation, is the other primary economic development agency in the state. Team PA was established in 1997 as a public-private partnership between the state government, the business community and local economic development organizations and is governed by a 35-member Board of Directors of the same composition with the Governor and a private-sector member serving as Co-Chairmen. Team PA is funded through the private contributions of partner companies and state funds appropriated to PDCED.

Since being formed by executive order in 1997, the structure and operations of Team PA have evolved. An increasing level of business recruitment and retention responsibilities has been transferred from the department to this partnership organization over the past five years. Team PA has primary responsibility for:

[11] In 1997, three entities were established to improve business development and the effectiveness of economic development services in the state: Team Pennsylvania (programs), Team Pennsylvania Foundation (non-profit fundraising corporation) and the Governor's Action Team (high profile business development). After four years of successful operation, the Governor merged all of the Team Pennsylvania operations into the Foundation and reaffirmed the public-private partnership with PDCED in an executive order. The Governor's Action Team has been a unit of PDCED reporting to the Secretary since 1999.

- all business retention efforts;
- cooperative marketing;
- improving statewide service delivery by economic development agencies;
- developing and maintaining online resources; and
- coordinating workforce development policy under the Team PA Workforce Investment Board[12].

As shown above, Team PA is directly influencing the State's community and economic development service delivery system beyond direct programming and services. Team PA is operated on a true network organizational model. It has set up a series of statewide "networks" – resources and organizations – focused on individual program areas (i.e. export assistance). Currently Team PA operates four networks including:

- Business Resource Network – business retention and expansion;
- Export Assistance Network – international trade;
- Entrepreneurial Assistance Network – small business development; and
- CareerLink – one-stop training and employment services.

These networks refine service offerings, develop online tools, communicate regarding best practices, and aim to deliver flexible, responsive services. Due largely to the partnership structure and well-developed online resources, the collaborative service delivery of Team PA and PDCED has matured to become a nearly seamless system.

PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT AND TEAM PENNSYLVANIA

Agency Overview

The Pennsylvania Department of Community and Economic Development is a cabinet-level agency that contains all of the State's major community and economic development functions. PDCED is the result of the merger between the Department of Commerce and the State's primary community development agency. The department has a broad mission to increase opportunities for businesses and communities to succeed in a global economy, and to improve the quality of life available to residents.

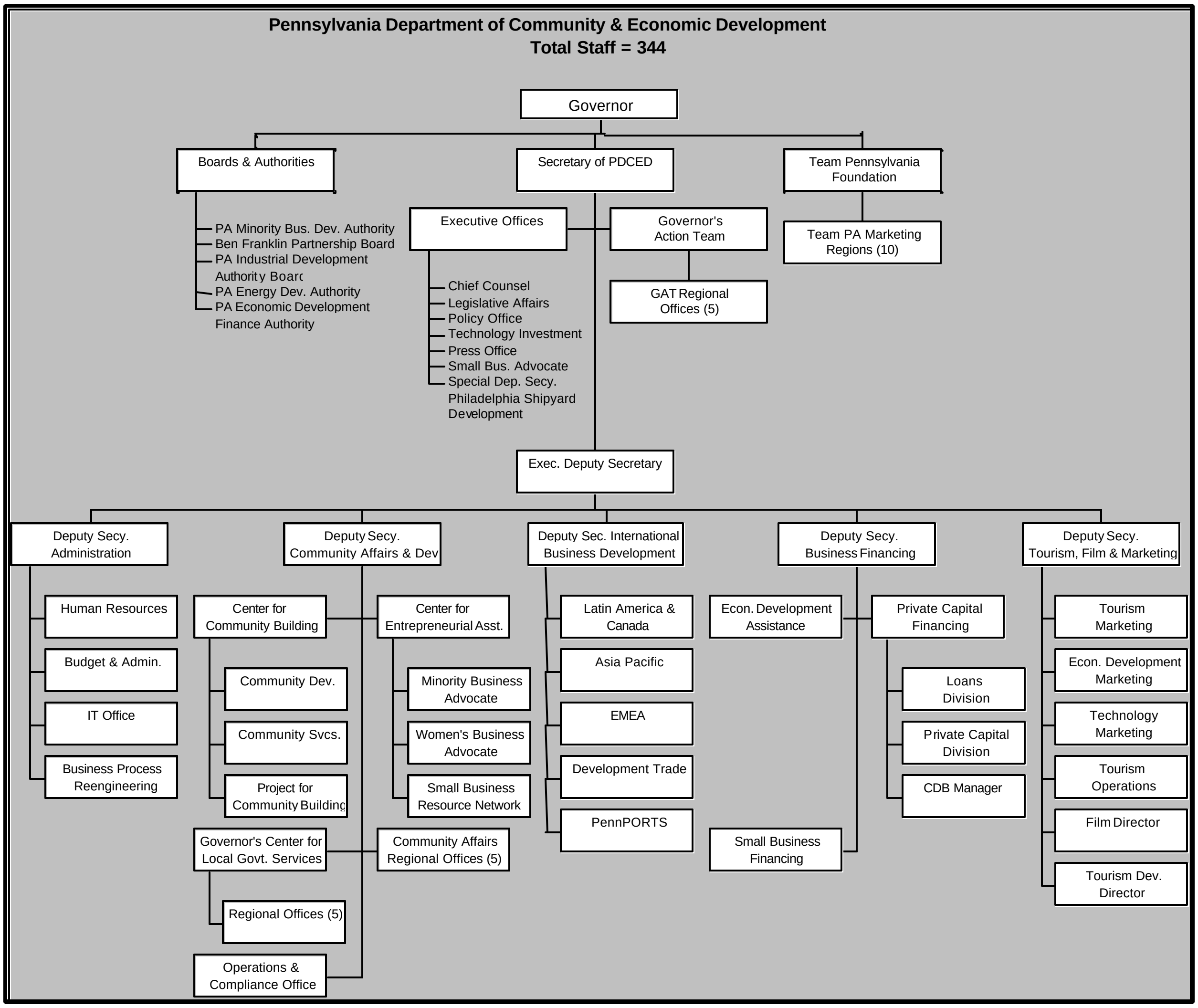
Structure

PDCED is structured as a super agency that contains all of the State's community and economic development programs. Through its close partnership with Team PA, the agency is also involved in the workforce development coordination of the state Workforce Investment Board. Despite the breadth of the agency, PDCED has a lean staff count and efficient operating operations. As shown in the accompanying organizational chart, the department has a combination of development programming divisions and several executive offices that perform specific functions for the Secretary. The Secretary serves on multiple authorities that finance economic development, infrastructure, and technology projects. The Secretary and Governor both serve on the Team PA

12 Team PA's efforts to coordinate statewide workforce development policy coincided with the timing of the federal Workforce Investment Act. The Team PA Human Resources Council eventually became the state Workforce Investment Board.

Board of Directors, which reinforces the prominent, direct relationship between PDCED, the Governor's Office and the Team PA public-private partnership.

The Governor's Action Team, a unit of PDCED, serves as the lead entity for business recruitment projects. The Governor's Action Team is comprised of high-level economic development professionals who report directly to the Governor regarding business expansion and retention activities.



The four programming divisions cover community affairs, business finance, international business development, and marketing, tourism and film. Given the scope and depth of services, PDCED's staff of 344 full-time employees is modest in size. The three units operating regional offices are the Governor's Action Team, Community Affairs and Development, and Governor's Center for Local Government Services. Team PA also has 10 marketing regions that are coordinated by designated local economic developers.

The organizational structure of PDCED has been streamlined over the past several years. The most notable changes include:

- A reduction in the number of Special Deputies reporting directly to the Secretary;
- Team PA has a direct relationship to the Secretary instead serving under the Governor's Action Team originally;
- Streamlined offices under the four Deputy Secretaries; and,
- The addition of regional offices under Community Affairs and the Governor's Action Team.

PDCED has adopted a strategic plan to manage its operations. The latest agency strategy has four strategic objectives to help fulfill the department's multiple roles.

1. Close the competitiveness gap by giving Pennsylvania the economic development tools needed to compete with other states for jobs.
2. Build world-class communities.
3. Make business and job retention the number one focus of economic development.
4. Invest in catalysts of future job growth.

As evidenced above, the greatest focus of PDCED's current operations is on existing business assistance and job retention. The department's remaining efforts are dedicated to supporting community development, new business formation and attracting new investment. Aggressive technology initiatives are central to Pennsylvania's programs for new business and investment.

Without question, PDCED has one of the most comprehensive offerings of state-level economic development programs and services in the country. The Department's key programs are outlined below.

Business Development
The introduction of the Governor's Action Team and Team PA fundamentally changed the State's approach to business development in 1997. Now the Governor's Action Team serves as the lead agency for business recruitment, expansion and retention efforts. Working closely with the Governor's Action Team and PDCED, Team PA has much of the responsibility for business retention efforts, with a particular emphasis on retention programs, online resources, and direct services. The major business development initiatives of Team PA are a business calling program, an ambassador program, cooperative marketing, and networks focused on exporting, entrepreneurial development.

- The *Business Resource Network* is a web-based network developed by Team PA to provide comprehensive resources for expanding businesses or existing state businesses. The website provides direct access to all relevant data for business location decisions, and users can access forums where businesses and economic developers can exchange information regarding business issues, best practices, and collaborative projects. The *Business Resource Network* is the online "gateway" for Pennsylvania economic development with direct links to site databases and PDCED webpages.
- The Pennsylvania *SelectSites/SelectTech Sites* program was established to effectively market quality properties to businesses with shorter time frames for site selection and development. Team PA maintains a searchable online database of over 100 sites certified "ready to build" by Fluor Systems. Qualified sites must meet strict criteria for site characteristics, infrastructure, regulatory approvals, and locational characteristics (e.g. proximity to university R&D). The program and software are the result of a collaborative project by the Governor's Action Team, Team PA, Pennsylvania Economic Development Association, and Fluor Global Consulting Services.

- International trade and foreign direct investment are high priorities in Pennsylvania. A *Worldwide Export Assistance Network* links the state's *Team PA Export Network* – expert assistance and resources provided in all 10 Team PA Marketing Regions – with the 17 International Business Development offices of PDCED. Services of the export assistance network include in-country trade assistance, market research, business partners search and matching, and global video conferencing services. The video conferencing system directly links the 10 regional offices in Pennsylvania with all 17 overseas offices, and has been in high demand since being launched. The purpose of the program is to assist Pennsylvania companies entering new markets and increasing international sales. The Governor's Action Team also maintains five Foreign Direct Investment Offices located in Canada, the United Kingdom, Japan, Korea, and Singapore.
- PDCED has established the *PA SourceNet* and *"Made in PA"* websites for supplier matching and promoting state businesses.
- The *Team PA Ambassadors Program* is designed to improve the business image of Pennsylvania globally. To date, Team PA has enlisted and trained 700 business, university and cultural leaders in the program. These ambassadors participate in foreign trade missions, business development calls globally and in-state, and other events where ambassadors can promote the state as leading business location.
- PDCED Entrepreneurial Assistance Office has two award winning programs (U.S. Small Business Administration Awards for 1999-2000) in the form of the *Small Business Resource Center* and the *Women's Business Advocate*. The small business center is a user-friendly source of information and technical assistance. The women's business program's helps female business owners deal with government agencies, develop winning market strategies, and secure financing. A *Minority Business Advocate* and an *Environmental Business Advocate* are the other programs offered by this office. The Team PA Entrepreneurial Assistance Network serves as an information clearinghouse for state, federal and private resources, while also coordinating the integration of these varied programs into a customer friendly system.

Community Development

- The *Governor's Project for Community Building* applies non-traditional tools and self-help initiatives and a reduced reliance on government programs. Project components include family savings accounts to encourage savings by low-income families, a self-employment assistance program, community development banks, charter schools, mentoring, teen pregnancy prevention, and neighborhood safety.
- The *World Class Communities Program* was established to promote cooperation and shared services on the local level; to provide technical assistance and matching grants for community visioning for multi-county jurisdictions; and encouraging planning efforts that link neighboring jurisdictions. The Governor's Center for Local Services was created in PDCED to help address these priorities.
- Pennsylvania doubled the number of targeted enterprise zones in the *Keystone Opportunity Zones Program*. The State's 24 enterprise zones cover 37,000 acres. Since the program began in 1999, more than 10,000 jobs have been created in *Keystone Opportunity Zone*s.

Technology Initiatives

- The *Ben Franklin Technology Development Authority* is charged with technology development programs and financing.[13] The authority has an initial fund of $56 million to finance small and medium-sized technology ventures, expand e-commerce, and support university R&D. Half of the budget is dedicated to operating the existing *Ben Franklin Technology Partners Program.* The authority will also lead the implementation of *Tech 21 Initiative* is a technology-led economic development strategy for the entire state that was devised with extensive business participation.
- *Ben Franklin Technology Partners/Industrial Resource Centers Partnership* provides seed capital to early stage technology companies, challenge grants for R&D and technology transfer, and technical and financial assistance to manufacturers.
- The *Lightning Manufacturing* project is a technology initiative targeting the manufacturing sector. The project applies Internet technology to industrial processes (i.e. procurement) to reduce friction and make production as fast and competitive as possible. Multiple technology vendors are participating in the project to manage the network under development.

Business and Development Finance

- PDCED has one of the most comprehensive business and development financing programs in the country. The agency has streamlined and updated the offerings to address "new economy" opportunities in concert with the Governor's office. PDCED offers the following types of financing through direct programs and related state finance authorities:
  - Loans
  - Loan guarantees
  - Bond financing
  - Technology grants/investments
  - Workforce development funds
  - Assorted grants
  - Tax credits
  - Technical assistance grants.

In addition the breadth and depth of financing, Pennsylvania has employed sophisticated financial management to maximize its funds. The State has leveraged its much of its business financing programs by securing certain funds in the capital markets as many corporations do.

Workforce Development

To implement the Workforce Investment Act, the State's system has been integrated under the *Team PA Workforce Investment Board.* Team PA CareerLink is the states integrated system of online resources and one-stop service centers that provide workforce development and employment services statewide. All of the State's major service providing agencies – public and non-profit – have become Team PA CareerLink Partners to integrate service delivery under the Workforce Investment Act. In addition to this coordinating role, PDCED has targeted workforce development programs noted below.

- After studying the State's "brain drain" problem (net loss of college graduates and young professionals), the State has appropriated $10 million for a new *Brain Gain Initiative* in FY 2001.

[13] This new fund assumed the role of former the Pennsylvania Technology Investment Authority and other responsibilities.

The program funds a marketing campaign – "Stay Invent the Future" – targeting college graduates and provides grants for internships.

- Pennsylvania offers the third largest customized job training program in the country. In 2001, the program had a budget of $38 million.
- PDCED funds the *Guaranteed Free Training Program* offered through the *Workforce and Economic Development Network of Pennsylvania (WEDnetPA)*. This educational alliance of more than 30 state colleges and universities provides free job training for basic entry-level skills and advanced information technology skills to qualified companies.

Customer Service Innovations

- *DCED on the Road… Again* is a regular traveling tour of all 10 marketing regions conducted by the Secretary. This forum informs local businesses and communities about department programs, updates the department about changing local needs, and provides feedback about the responsiveness of the PDCED. The Secretary is accompanied a large number of staff (often 30) who conduct additional meetings while visiting each region.
- As part of Team PA's *Business Calling Program*, local economic development officials complete interviews with area businesses to assess service needs and then develop formal Customer Action Plan. Roughly 5,000 businesses are personally interviewed each year.
- Like other state agencies in the current administration, PDCED is increasing the department's customer service orientation. A new Customer Service Center with a 1-800 phone number is operational to handle any type of inquiry.
- PDCED has a single assistance application to expedite the agency's workflow and service delivery system.

One of the greatest strengths of PDCED's programming is the seamless integration of programs that has been achieved. The addition of Team Pennsylvania has furthered that integration by establishing more direct relationships with the private sector and local economic development organizations. Also, the active role of the Governor's Office has been a critical success factor in Pennsylvania.

Operations and Service Delivery

The department is making significant progress implementing strategies in each program area. Both PDCED and the Governor's Office place a priority on developing responsive programs to meet special needs. The leadership of the Governor's Office has been instrumental in reorganizing the State's economic development efforts and undertaking numerous implementation initiatives from the Governor's Office, through Team PA, or partnering with PDCED. This active role of the Governor is also performing coordinating functions and focusing the department's efforts.

The new Governor's Action Team is the one-stop resource for expanding businesses and leads all client handling. The Action Team provides assistance and coordination for business prospects in three key business development areas: financial and technical assistance, site selection, and coordination with other state, federal and local government agencies.

PDCED department has several innovative programs that focus on improving the effectiveness of the agency in achieving its mission. The *Business Calling Program* under Team PA shapes future service delivery, increases customer service, and enhances the effectiveness of PA economic development programs. Local economic development professionals have conducted interviews with

20,000 businesses statewide over four years. These calls are designed to identify business needs and concerns. Information is analyzed to determine industry and geographic trends, as well as help to shape future policy.

Once interviews have been completed, the information obtained is entered into a web-based data entry system. A Customer Action Plan is developed and the system automatically generates email referrals to specific regional network members, who in turn contact the business to provide development assistance.

Team PA has also shaped the service delivery of many state economic development programs. Team PA coordinates the regional delivery of many programs through the 10 Team PA Marketing Regions or program-focused networks. These networks (i.e. Export Network or Entrepreneurial Assistance) consist of online resources and integrated state economic development offerings that have been coordinated and effectively packaged by Team PA.

Budget

PDCED is the best-funded lead economic development agency in the United States. The total budget surpassed $1 billion in FY 2001 for the first time in agency history. This massive budget is attributed to steady state spending, a significant increase in federal funding, and the impact of a one-time disbursement from the State's special Tobacco Settlement Fund.

As shown in the following table, the state legislature appropriated a large budget of $455.7 million for FY 2001. Federal funding has grown substantially over the last year, seeing a rise of 55%. Like other states, Pennsylvania allocated a sizable a large contribution from the Tobacco Settlement Fund for biotechnology initiatives in 2001. Due to economic conditions and a lack of special funds, the proposed budget for FY 2002-2003 is $700 million, a decrease of 30% for 2001 and 10% below the 2000 budget.

PDCED Funding Sources, FY 2001-2002

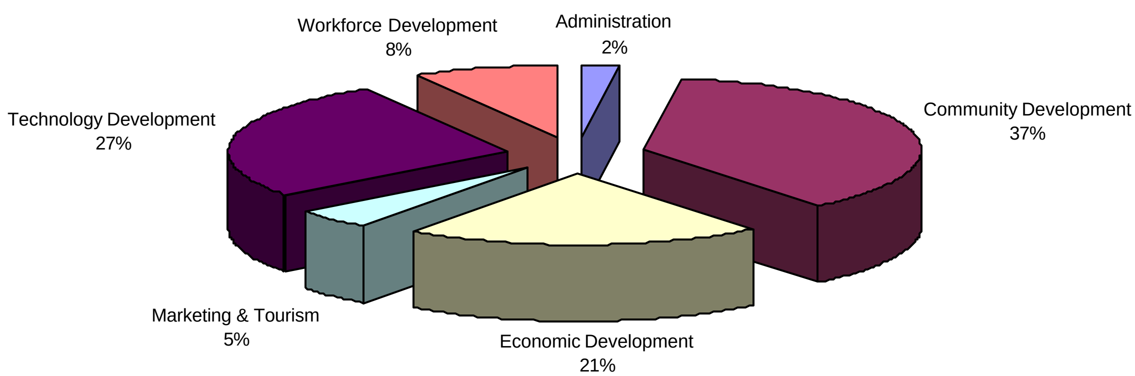
Source	Amount	% of Total Funds	Annual Change
State - General Fund	$455,728,000	43.6%	-$32,804,000
State Special - Tobacco Settlement	$160,000,000	15.3%	$160,000,000
Federal Funds	$239,652,000	22.9%	$84,596,000
Augmentations	$14,597,000	1.4%	$444,000
Restricted Revenue Funds	$1,257,000	0.1%	$247,000
Other	$174,166,000	16.7%	$52,245,000
Total	**$1,045,400,000**	**100.0%**	**$264,728,000**

Source: Governor's Office of the Budget

More than 64% of PDCED's budget consisted of grants, subsidies and federal pass-through dollars last year. The accompanying graph depicts the budget allocation by program area. The agency devoted the largest portion of its budget on community development programs and services. In FY 2001, community development accounted for 37% of the total budget with nearly $388 million in program funds. Technology development initiatives ($281 million) and a host of economic development programs ($217 million) comprised 27% and 21% respectively. Workforce development programs providing custom job training and assistance to distressed communities represented 8% of the 2001 budget, or $88 million. Marketing and tourism spending, which included business development marketing, tourism and film programs, represented 5% of the overall budget.

Pennsylvania Department of Community & Economic Development

Budget by Program Area - FY 2001



Source: Governor's Office of the Budget

Total Budget = $1.045 Billion

Secondary State Community and Economic Development Agencies

There are numerous secondary agencies contributing to Pennsylvania's community and economic development system. Over the years, the legislature has complemented PDCED with several special purpose finance authorities to fund community and economic development projects. This partially accounts for PDCED's comprehensive business and community financing services. The largest finance authorities are the PA Industrial Development Authority, PA Economic Development Finance Authority, PA Energy Development Authority, Ben Franklin Technology Development Authority, Minority Business Development Fund, Pennsylvania Housing Authority, and the Pennsylvania Infrastructure Investment Authority. The various implementing agencies of the Workforce Investment Act are also important agencies in the state system. Brief descriptions are provided for some of these notable secondary agencies.

The **Pennsylvania Infrastructure Investment Authority** (PENNVEST) provides a graduated series of financial assistance to fund local water and sewer infrastructure projects. Low interest loans can range up to $11 million for a single community to $20 million for a multi-jurisdiction project. All aspects of the infrastructure development process are eligible for financing from feasibility studies through construction. This revolving loan fund is funded by more than $2 billion from general obligation bonds, revenue bond sales, state appropriations, and federal grants. PENNVEST is one of the largest and longest-lasting development finance programs in the state. The Authority has a 13-member Board of Directors with the Governor serving as Chairman.

The **Pennsylvania Housing Finance Agency** (PFHA) is funded by bond revenue, program fees, and state and federal funds. PHFA offers financial assistance to homebuyers and multi-family tenants by way of grants, loans, below market mortgage rates, and direct subsidies. Emergency housing assistance and programs for the disabled are also available. PHFA is well capitalized and currently has over $2.3 billion in single-family mortgage bonds outstanding. The Agency has been in place since 1972.

The **Department of Labor and Industry** is the main implementing agency of the state's Workforce Investment Act programs and a partner in the Team PA CareerLink. The Department administers a variety of employment services and workforce development programs including: unemployment insurance, worker's compensation, vocational rehabilitation services, job training, and worker dislocation services. This department is also responsible for managing the state and federal labor laws and worker safety programs. The agency brings considerable resources to these roles with over 6,000 employees and 200 offices statewide.

The **Pennsylvania Department of Education's Bureau of Adult Education and Literacy** is major implementing agency of the state's Workforce Investment Act initiatives. The Bureau provides the following services and programs: Adult Basic Education, General Educational Development (GED), and English as a Second Language. These and other related programs are funded under the Workforce Investment Act, Adult Education and Family Literacy Act, and enhanced state programs. The Bureau is a Team PA CareerLink partner.

Pennsylvania Workforce Improvement Network is a Team PA CareerLink partner, and operated by the College of Education at Penn State University. This organization assists adult education providers in developing a centralized, market-driven system of services for employers and incumbent workers. The goal is to integrate those services with Pennsylvania's workforce development system, including linkages with Team Pennsylvania CareerLink, and help implement the Workforce Investment Act.

The **Pennsylvania Rural Development Council** was created 10 years ago under an executive order. The purpose of this 30-member council is to increase information sharing among rural leaders; facility public-private cooperation to maximize resources; preserve the quality of life in rural communities; and, to help rural communities achieve economic development goals. Much of the council's programs focus on local capacity building with particular emphasis on leadership development.

Michigan

MICHIGAN'S COMMUNITY AND ECONOMIC DEVELOPMENT DELIVERY SYSTEM

System Overview

Michigan's community and economic development delivery system has changed substantially during the past eight years. In April 1999, longtime Governor John Engler dismantled the Michigan Jobs Commission, a well-regarded super agency that the Governor had created by consolidating previous state development agencies in 1994. The reorganization transferred the Jobs Commission's workforce development functions to the new Michigan Department of Career Development and economic development functions to the pre-existing Michigan Strategic Fund. A private entity, the Michigan Economic Development Corporation, was then established to administer the programs and funding of the newly expanded Michigan Strategic Fund.

Minor organizational changes have since been made over the past two years as new advisory councils were set up, federal mandates were met, or individual offices were shifted from one agency to a more appropriate location in a state development agency. In spite of the structural changes, these new development agencies retain the streamlined operations, targeted programming, and customer-focus that were characteristic of the Jobs Commission.

This restructuring has occurred in conjunction with numerous aggressive initiatives by Governor Engler aimed at improving the state's business climate. Business taxes have been reduced significantly, national promotional campaigns are ongoing, and government reforms and technology investments are making the state government operate more like a business interested in satisfying customers. Like Pennsylvania and other large northern states, Michigan has cut state taxes and reformed state government to compete with other regions of the country.

Michigan's new approach to economic development concentrates the responsibilities and resources clearly in two strong entities. Some important features of the community and economic development delivery system are enumerated below:

- The Governor has readily exercised the full authority of his office to restructure state agencies and initiate high priority programs under executive orders.
- The State's economic and community development agencies are operated as "one-stop" resources with functions that are well defined to internal and external users.
- Local participation is valued throughout the system.
- The Michigan Economic Development Corporation is a private corporation operated like a business enterprise rather than a government agency.
- The Renaissance Zones are the most aggressive state enterprise zone program to date.
- The Department of Career Development's mission and approach significantly expands the scope of workforce development programming beyond traditional job training.
- Both agencies are delivering substantial services and information resources online, and they are partaking in the state government's ongoing e-Michigan initiative.

Primary State Community and Economic Development Agencies

Michigan has one key organization that primarily deals with issues specifically related to community and economic development:

- The Michigan Economic Development Corporation.

Secondary State Community and Economic Development Agencies

Michigan also has a number of other agencies and departments that devote *some* of their efforts to the delivery of state community and economic development-related programs:

- The Michigan Department of Career Development;
- The Partnership for Economic Progress;
- The Michigan Department of Agriculture;
- The Michigan State Housing Development Authority; and
- The e-Michigan Office.

Primary State Community and Economic Development Agencies

The State of Michigan has one primary community and economic development agency: the Michigan Economic Development Corporation (MEDC).

State Agency	Functions	Policy or Program Areas	Total Staff	FY 2001 Total Funds
Michigan Economic Development Corporation	One-stop business development resource for new and existing businesses with interests in Michigan; generates new economic development policies and programs; and channels economic development funds into local communities.	Business expansion and retention Worker recruitment Technology based economic development Urban revitalization Custom job training Site development services Regulatory assistance Financing Trade Assistance	500	$658 million

Many of Michigan's community and economic development functions are concentrated in this agency, which is organized to deliver programming and services on a one-stop basis. The programs and operations reflect the State's ongoing efforts to streamline the economic and community development delivery system.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

Agency Overview

The Michigan Economic Development Corporation is a 501(c)3 non-profit organization created in 1999 to replace the Michigan Jobs Commission as the State's lead economic development agency. MEDC's primary mission is to partner with businesses, local governments and economic development agencies, and state colleges to attract, retain and grow more high skill, high wage jobs in Michigan. MEDC is a responsible for all of the State's business and economic development roles, from client handling and existing business support to administering CDBG funds for infrastructure development. MEDC also contains Travel Michigan, the State's official tourism promotion agency. This private corporation is characterized by its business-like customer service and focus on technology and emerging business sectors and innovative programs.

Through a series of executive orders and agency reorganizations during the 1990s, the Governor has concentrated all of the State's economic development funding functions under the Michigan Strategic Fund (MSF). The MSF was originally created by the legislature in 1984 as a focused economic development finance vehicle that provided nonconventional financing to businesses. As detailed in the figure on the next page, MSF inherited significant new functions when the Jobs Commission super agency was formed in 1994. Ultimately, MSF gained full authority over all state economic development functions with the latest reorganization in 1999, and is now an independent funding entity housed in the Department of Management and Budget.

Snapshot: Evolution of The Michigan Strategic Fund

The Michigan Strategic Fund (MSF) has accumulated all of the State's economic development functions since its inception as a business finance vehicle.

Year	Changing Structure, Duties and Functions
1984	▪ The MSF is established by state legislation to help diversify the state economy. ▪ MSF provides non-conventional business financing – seed capital, minority business funding, and working capital financing – to Michigan companies. ▪ 9-member governing board: Dir. of Treasury, Dir. of Commerce and Industry Services, and 7 appointees by Governor with advice from Senate.
1994 – 1995	▪ The Michigan Jobs Commission is created by executive order. ▪ MSF transferred to the Jobs Commission. ▪ MSF assumes the powers and obligations of the state Economic Development Authority and Job Development Authority.
1999	▪ All economic development functions of the former Michigan Jobs Commission and Dept. of Commerce are transferred to MSF by executive order. ▪ MSF relocated in the Department of Management and Budget as an autonomous entity reporting to Governor.
1999 – Present	▪ Michigan Economic Development Corp. created via partnership agreement set up between MSF and multiple local governments under Urban Cooperation Act of 1967. ▪ MSF funds economic development programs administered by Michigan Economic Development Corp.

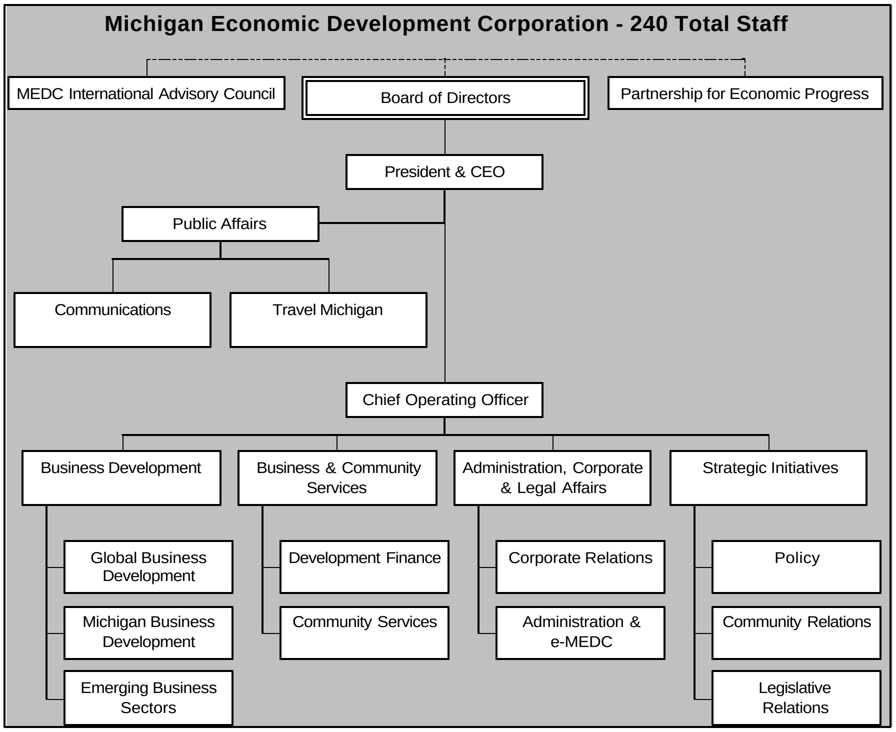
MSF is governed by a nine-member Board of Directors consisting of the cabinet-level Directors of two state agencies – the Departments of Treasury and Management and Budget – and seven appointees of the Governor. This Board is authorized to make loans, grants and investments from MSF funds to assist private businesses and non-profits. Importantly, MSF is not an operating agency delivering programs and services; it is solely the central funding authority for Michigan's economic development programs.

In 1999, MEDC was formally created when MSF established a 10-year partnership agreement with a local economic development corporation[14]. Under this charter agreement, MEDC became a separate legal entity charged with coordinating and advancing economic development statewide. Subsequently, MSF has entered into separate agreements with over 70 interlocal and "corporate" partners.[15] These agreements formally state each party's interest in collaborating to meet shared economic development goals. There are not any mandatory funding contributions or service commitments for either party under the agreement.

[14] In Michigan, "inter-local agreements" between government agencies can be formed in accordance with state law (Public Act 338 of 1974) to facilitate cooperation.
[15] "Interlocal" partners are public economic development agencies while "corporate" partners are non-profit economic development organizations or private businesses. As of February 2002, there were 51 Interlocal partners and 23 corporate partners (2 of which were companies).

Structure

MEDC was established through long-term partnerships between the Michigan Strategic Fund and local economic development corporations throughout the State. As noted in preceding section, this structure effectively makes MEDC the operating arm of MSF, the funding source for state economic development programs. In addition to local partners, MEDC has signed up corporate partners from around the State. MEDC's unique structure is designed to enhance the long-term continuity, flexibility and effectiveness of state economic development efforts by linking local communities, responsive statewide programming and services, and state resources.



MEDC is an independent legal entity separate from the MSF, and governed by a 17-member Board of Directors. The Governor serves as the Head Chair of the Board and appoints the other 16 board members to staggered eight-year terms. There are nine private-sector representatives and a private-sector board member serves as the Acting Chair of the Board. Two advisory Councils regarding policy and programming – the MEDC International Advisory Council and The Partnership for Economic Progress, assist the Board.

MEDC has 240 total staff at present. The organizational structure resembles a private enterprise with a President and CEO as the executive-in-charge, a Chief Operating Officer, and Vice Presidents managing the four operating divisions. The President and CEO also serves an additional fiduciary role as the President of the Michigan Strategic Fund. The operating divisions are Business Development, Business and Community Services, Administration, Corporate and Legal Affairs, and Strategic Initiatives; and each report to the COO. The COO and the Public Affairs Office (including tourism promotions) report directly to the President and CEO.

The organizational structure clearly reflects the programming priorities of MEDC: business development, business services, technology and targeted initiatives, and marketing and public relations. The staff is almost entirely located in the headquarters office in Lansing. MEDC maintains three international offices in Mexico, Japan and China, and has shared offices in Canada and South Africa through the Council of Great Lakes Governors.

Key Programs and Operations

The Michigan Economic Development Corporation has streamlined operations and targeted programming that coincides with the corporation's organizational structure. These efficiencies are due in part to the several years of process improvements under the Jobs Commission, the direct reorganization provided by executive order, and the operational flexibility of a non-profit corporate organizational structure.

MEDC has adopted a mission statement and employs strategic planning to develop corporate policies, objectives and operating plans. The current mission statement emphasizes the "grass-roots" partnerships with local communities and conveys the need for targeted policies that achieve desirable economic growth.

Snapshot: MEDC Mission

The Michigan Economic Development Corporation, a partnership between the state and local communities, promotes smart economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life.

MEDC prominently uses the "smart" label in its policy statements to communicate multiple meanings: the use technology or highly skilled workers; applying innovative approaches; effective resource allocation and investments; or in the case of community projects, to reflect sustainable development. The drive to become a "smart state" in all respects is an underlying theme in the organization's various policies and promotions.

MEDC has historically performed four basic functions: business development, business services, proposing economic policy, and marketing. MEDC's recently adopted objectives for 2002 and previous operating plans build upon these core functions and focus the organization on six areas of policy and programming going forward:

1. Economic Development Continuity and Effectiveness
2. Business Retention and Attraction
3. Worker Recruitment and Training
4. Technology Initiatives
5. Community Revitalization
6. Marketing and Promotions.

Economic Development Continuity and Effectiveness

MEDC has outlined plans to improve the near and long-term effectiveness of statewide economic development efforts in the following year. The corporation has set objectives to increase and diversify its revenue sources, including corporate contributions, which accounted for 20% of FY2001 revenues. MEDC is also trying to improve its programming and policy effectiveness, enhance service levels, and strengthen its positive perception among stakeholders through a series of actions. Finally, MEDC develops and proposes new state economic policies. The following priorities and actions are intended to strengthen state economic development programs.

- Activated an *MEDC International Advisory Council* consisting of current and former residents in executive positions. The council will advise MEDC regarding economic growth policies.
- Achieve superior customer satisfaction levels and positive perception from stakeholders.
- Increase the number of interlocal partners and corporate partners.
- Conduct multiple economic development academies for state and local officials.

Business Retention and Attraction

The core of MEDC's operations remains the business development activities conducted in cooperation with local communities and, secondly, the corporation's comprehensive suite of business services. In 2001, Michigan led the U.S in the total number of new and expanded corporate facilities for a record fourth year in a row. According to annual statistics compiled by *Site Selection Magazine*, Michigan had 2,358 new or expanding businesses for the year – more than 60% higher than 2nd ranked California at 1,448. Michigan's targeted incentives, ongoing tax reductions, and regulatory reforms have helped strengthen the State's business climate. MEDC's effective business development operations, national marketing campaigns, and efficient delivery of business services to customers are also contributing factors. The main service offerings of MEDC are summarized on the accompanying table; account management is described more fully in the Operations and Service Delivery section.

MEDC Business Services

General Services	Incentives	Financial Assistance
Economic & Labor Market Information	Renaissance (Enterprise) Zones	Business Cost Estimating
Consulting Assistance	Job Creation Tax Credits	IDRBs
Site Infrastructure Coordination	Brownfield Tax Credits	Capital Funding
Export Promotion	Property Tax Abatements	Small Business Loans
Cost Containment	SmartZones	Employee Stock Ownership Programs
Workforce Development	**Site Location Services**	**Regulatory Assistance**
Worker Recruitment	Online Site Location Network (MISITENET)	Environmental Technical Services
Custom Job Training	SelectSites	Permitting Coordination
Technical Training Network	Site and Infrastructure Improvements	Government Ombudsman

MEDC's successful delivery of business services is attributed to the completeness of the service offerings and the highly responsive account management system that serves over 4,000 companies annually. Michigan is credited with developing innovative business development programs, resources and services. The remainder of the section highlights distinctive programs that have contributed to the State's improved results regarding business retention and attraction since the mid-1990s.

- Michigan's *Renaissance Zones Program* offers businesses locating in any urban, rural or military enterprise zones nearly tax-free status from state and local taxes.
- *MEDC Job Creation Tax Credits* are one of the State's performance-based tax incentives. Companies involved in manufacturing, research and development, wholesale trade, or certain office operations are eligible to receive a credit against the Michigan Single Business Tax, the State's business income tax.

- *Michigan Site Network (MISITENET)* is a 501(c)3 corporation established to maintain an online industrial site database. The corporation was created by MEDC, the Michigan Economic Developers Association, and a major utility. In addition to detailed graphics and information on individual sites, industrial parks and communities, the network provides GIS mapping and utility maps.
- *SelectSites* is a portfolio of prime, turnkey sites that MEDC prepared in response to customer inquiries. The information is available in collateral format or via a searchable online database.
- The MEDC website (www.michigan.org) is a highly navigable site with useful information and online services. Beyond the site location databases, MEDC has continued to invest in more advanced website functionality allowing real-time online assessments or customer service. Examples of other these online innovations include:
  - *Renaissance Zone Tax Calculator* – automatically calculates tax savings;
  - *Online Business Incentive Profiler* – identifies applicable incentives based upon business/company inputs and calculates a potential incentives package;
  - *MiGuide* – personalization feature allowing users to save webpages in an account, update their settings, and share the guide with others;
  - *MiAccount* – personalization feature for subscriptions, preferences, and opt-in updates regarding particular MEDC programs or webpages; and
  - Live online chat capability for real-time assistance from an MEDC representative.
- Business and industrial parks that offer requisite features and are ready for occupancy can be designated *Certified Business Parks*. This voluntary program originated in 1969 and has been updated through state legislation to speed up the site selection process, upgrade the quality of available properties, and increase the marketability of Michigan business locations. MEDC jointly administers the program with the Michigan Economic Developers Association.

Worker Recruitment and Training

MEDC offers custom job training, access to technical training at a system of centers or online, and what are arguably the most aggressive worker recruitment initiatives nationally. Michigan has one of the first and most aggressive state-funded worker recruitment campaigns in the nation.

- The *Economic Development Job Training Program* is one of MEDC's major business incentives. A $21 million Job Retention and Retraining Fund supports worker training or retraining to upgrade skill levels to marketplace standards. Employers are required to match 25% of the state investment. MEDC serves a coordinating role and assists employers as they design a custom training program with public education and private training providers. A $10 million New Job Recruitment and Training Fund was added to this program in 2001 to increase the pool of skilled labor through recruitment and promotions.
- The *M-TEC* (Michigan Technical Education Center) *System* operates a network of 16 new training centers around the state. Each M-TEC offers highly flexible training options to meet individual business needs: open entry courses, skill-based, custom training, and self-paced courses. A Board of Directors consisting of local leaders ensures services offered are tailored to meet the needs of local industry in each region. The state invested $60 million to build this flexible system of training facilities.
- *Michigan Virtual University* (www.mivu.org) is an online distance-learning portal that brokers courses offered by 15 state universities, 29 community colleges, 48 private colleges, and numerous private training services. Courses can be delivered over several technologies including the Internet, intranets/extranets, videoconferencing, satellites, CD-ROMs and other media.

- *Michigan Career Site* is online job bank intended to attract and place job seekers in the State's targeted emerging business sectors – IT, Life Sciences and Advanced Manufacturing. The website is featured in a $5 million ad campaign recruiting high tech employees for jobs and the quality of life.
- MEDC is conducting a worker recruitment marketing campaign to "raise positive awareness" of Michigan as home and place of work. The campaign has target geographic markets and target population segments such as Midwest college graduates.

Technology Initiatives
Many of Michigan's recent and ongoing technology initiatives emanated from the "State Smart: Michigan Plan" commissioned by the Governor's office in 1998. This plan established three core technology-based economic development priorities that make up the "Technology Infrastructure:"

1. Smart Ideas – commercialization of university and private-sector technology research;
2. Smart People – recruiting residents and non-residents to Michigan's tech businesses and providing training in world-class facilities; and,
3. Smart Capital – access to venture funding, tech business parks, telecom infrastructure and more tech-friendly business climate.

MEDC is aggressively leading the State's efforts to become a national technology center. The overriding objective is to support the growth of both "traditional industries and emerging industries that are increasingly reliant on technology and telecommunications." MEDC's business development strategy targets three emerging business sectors representing strong opportunities for Michigan – the Information Technology, Life Sciences, and Advanced Manufacturing sectors. These sectors replace the 11 target industries of the *former Michigan Roundtables* initiative. Several major technology infrastructure initiatives are summarized in the following points.

- The *Life Sciences Corridor* is a well-funded initiative supporting public and private sector biotech research that will attract life sciences technology companies to Michigan. In the first three years, over $100 million has been awarded in research grants for 63 projects at state universities. The project has funding commitments (including Tobacco Settlement Trust Fund revenue) through 2019 totaling over $1 billion.
- The corporation continues to makes significant investments in the *e-MEDC Initiative*. The MEDC website has advanced beyond an information clearinghouse. First, e-MEDC is web-enabling as many services and external functions of the organization as possible. Secondly, e-MEDC is evaluating industry use of the Internet to plan more advanced e-commerce projects that accelerate the adoption of e-commerce in Michigan.
- MEDC is an integral part of Governor's coalition advocating *LinkMichigan* – the new initiative to provide statewide access to broadband telecom service.
- Under the *Michigan SmartZones Program*, MEDC has identified 11 areas around the State to stimulate the growth of technology-based clusters in near universities, private "R and D" institutes, and core businesses. The objective of the program is increasing the commercialization of research and developing recognizable clusters comparable to other tech centers (e.g. Research Triangle Park). The enabling act allows the use of local Tax Increment Financing to fund the development of incubators, labs, training facilities, infrastructure, property acquisition, and other relevant costs like marketing.

Community Revitalization

The state of Michigan has developed one of the most comprehensive community reinvestment strategies in the country over the past five years. The centerpiece enterprise zone program – the Renaissance Zones – has expanded to cover more urban areas and new rural and military zones. The MEDC also offers other targeted incentives, redevelopment funding, and technical assistance to drive new development and economic growth in these areas. Key programs are described below.

Snapshot: Renaissance Zone Results, 1997 to 2001

Michigan's 20 Renaissance Zones now contain over 124 community subzones that qualify for tax free status.	
Total Projects	216
Job Creation	5,800+
Private Capital Investment	$1.3 billion

- Michigan's *Renaissance Zones Program* is one of the most aggressive state enterprise zone programs in the country. The 1996 enabling law established 11 tax-free enterprise zones in distressed communities and sub areas. Each zone has multiple subzones designating the specific tracts of land qualifying for full tax exemptions from the Michigan Single Business Tax (corporate income), the state education tax, local property taxes, and local income taxes. Special assessments for local bonds may be exempted. State legislation in 1999 and 2000 expanded the number of Urban Renaissance Zones to 20, added 10 Agricultural Renaissance Zones and future military zones, and permitted greater flexibility to meet local economic development objectives.
- A new state law in 2000 created the *MEDC Core Communities Fund* to help 88 traditional regional centers compete for new development. The fund provided "gap financing" assistance -- loans, grants, cash flow participation, guarantees or other instruments – on competitive basis for projects in the 88 eligible communities or a *SmartZone* community. Qualified projects include economic development, community product development or certified technology parks achieving the following goals:
    - Private investment and job creation;
    - Urban mixed-use development;
    - Reuse of obsolete properties;
    - Competing for "mega-projects;"
    - Certified business/technology parks; and
    - Sustainable development strengthening the economic base.
- *Brownfield Redevelopment:* MEDC collaborates with the Michigan Department of Treasury, Michigan Department of Environmental Quality, local governments, and the private sector to accelerate redevelopment projects under state law. The State's brownfield redevelopment law allows latitude regarding which parties clean up a site, removing a common barrier to redevelopment.
- The *MEDC Community Assistance Team (CAT)* operates in five regions delivering strategic planning assistance, community assessments, project management, advisory services, and service referrals to communities. Four CAT regional managers act as one-stop resources for communities developing strategic plans or pursuing specific business development projects. Priority projects include business/technology parks, Renaissance Zones and SmartZones, regional projects, redevelopment, mixed-use projects, downtown retail and housing, transportation corridor development, and long-term strategic plans.

Marketing and Promotions
As shown on the organizational chart for MEDC, marketing and public relations functions are prominent units within the organization. MEDC aims to promote Michigan's economy and quality of life to multiple audiences. The marketing efforts entail business development marketing in the national and international media, tourism promotions by Travel Michigan, and a targeted worker recruitment campaign to attract high tech employees. Specific marketing programs are highlighted below.

- MEDC has developed a marketing campaign to re-brand the auto industry as a high-tech industry.
- The Business Development Department manages a targeted marketing program for site selection consulting firms.
- MEDC has a business development marketing campaign promoting the State's three emerging business sectors. The goal is a 10% increase in positive perceptions regarding Michigan's high-tech economy. The also program includes a new *Technology Marketing Matching Fund* to leverage state and local resources and deliver a consistent message.
- MEDC is now developing a unified "State Brand" to promote the state more effectively to multiple audiences and reduce conflicts. A comprehensive *State Marketing Plan* is under development.
- Capitalize on showcase sporting events like the 2003 Ryder Cup and major business events hosted in Michigan.

Operations and Service Delivery
MEDC serves as the one-stop resource for expanding businesses and local communities seeking new investment and development. In terms of business services, Michigan's service delivery system is based upon effective account management. MEDC houses a staff of 30 account managers in the Lansing (capitol) office and throughout the State in assigned regions. MEDC views the account managers as service providers, consultants, and the frontline sales force. An account manager serves as the single point of contact for each business inquiry and coordinates the delivery of state and local services to that account. Account managers work closely with local governments, utilities, consultants, local economic developers, and other state agencies to meet the specific needs of each business. The account manager is also responsible for advising businesses regarding MEDC's full portfolio of business services. MEDC account managers are supported by a team of specialists that provide expert assistance as needed. The account managers are accessible all day, every day via phone and e-mail. Like the rest of the MEDC staff, account managers also operate under the MEDC customer service guarantee shown above.

Snapshot: MEDC Customer Service

Like a business enterprise, MEDC has formalized its commitment to efficient and responsive service	
Responsive	Return telephone calls within 24 hours
Timely	Process routine info requests within 1 week
Efficient	Evaluate business development inquiries with 24 hours and refer to an Account Manager
Accountable	Provide written commitments for custom services

Annually the MEDC account management system serves between 4,000 and 5,000 businesses and reports a 99% customer satisfaction rating. Michigan's account management system has become a differentiator when competing with other states for new business expansions.

Although several account managers reside around the State to provide statewide coverage, MEDC does not operate general-purpose regional offices to deliver business and community services. The partnership with local economic development corporations is inherent in MEDC's structure. The interlocal partners and corporate partners attend quarterly MEDC meetings, and have opportunities to provide input into MEDC programs and operations. This relationship is reinforced by MEDC's operations where staff collaborates directly with local officials. Also, many programs are place-based initiatives targeting specific communities. Most partners view MEDC as a major improvement over previous state agencies. Partners can opt when and how to collaborate with MEDC. Local economic developers expressed the value account managers provide during customer meetings regarding available state programs and services.

In terms of regional operations, MEDC does manage the system of 12 *Michigan Technical Assistance Centers* that were assigned to MEDC following the Jobs Commission reorganization. These centers provide technical assistance regarding government procurement contracts and exporting. MEDC also has the five regional managers of the *Community Assistance Team* providing community services to defined regions, as cited in the preceding program descriptions.

Performance Measures

As part of the State's budgeting process, MEDC's performance is evaluated and reported annually within the budget of the Michigan Strategic Fund. The current performance measures for MSF include the program outcomes:

Performance Measures of the Michigan Strategic Fund

Program Outcomes	Performance Measures	Michigan Benchmark
Increase Michigan's economic capacity through statewide economic development programs	▪ Private Investment ▪ Jobs Retained ▪ Job Created	\$3.5 billion 64,000 jobs 20,000 jobs
Improve worker skills by providing specialized advanced skills training	▪ Number of Employees Trained	70,000 employees
Annual ranking for new business development	▪ Number of New Facilities and Expansions	Top Ten State Ranking
Encourage business growth by attracting high tech jobs	▪ New High Tech Jobs	20,000 jobs
Encourage job growth through MEDC Job Creation Tax Credits	▪ Estimated Direct and Indirect Jobs Created	15,000 jobs

Source: Michigan Department of Management and Budget, FY 2002 Executive Budgets.

The noted job growth and retention benchmarks represent a 5% annual increase over the averages realized for the preceding three years.
MEDC also prepares annual objectives and operating plans quantifying various operational performance measures for the corporation. A sampling of these objectives is presented below.

- Earn a 96% customer service rating.

- Achieve 90% positive perception among key stakeholders.
- Increase number of interlocal partners to 60.
- Increase number of corporate partners to 40.
- Conduct a minimum of 4 local official academies.
- Conduct a minimum of 12 technical assistance seminars.
- Increase inquiries to Travel Michigan by 20% over the prior year.

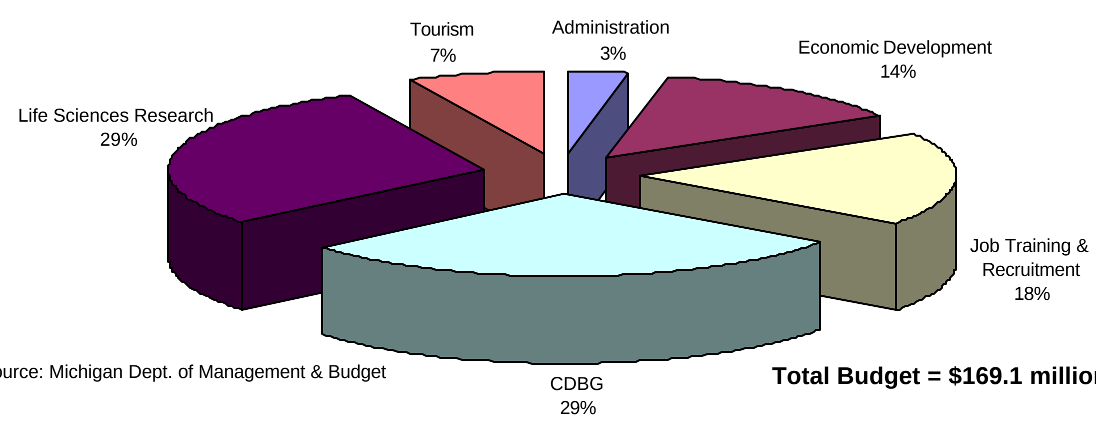
Budget

The Michigan Strategic Fund is the designated funding entity for statewide economic development programs. MEDC administers and coordinates these economic development programs as the State's lead economic development agency. In 2001, MSF had a total budget of $169.1 million. A review of the funding sources displays that the funding sources are well balanced. State appropriations accounted for 39% of the budget; corporate contributions to MEDC accounted or 20% at $34.4 million; and, federal funding represented 41% of the total budget.

Approximately two-thirds of the MSF budget is distributed through grant programs administered by MEDC. The largest grant programs in FY 2001 were federal CDBG grants for economic development projects, job training and worker recruitment programs, and life sciences research. As shown in the graph, federal CDBG grants and funding for life sciences research were the largest program budget items with each representing 29% of the total funds. Notably, the State of Michigan allocated $50 million of the Tobacco Settlement Trust Fund revenues to support life sciences research under the Life Sciences Corridor initiative. The next largest program area was job training and recruitment (18%), which allocated greater funding for worker recruitment in FY 2001. Economic development programs, including business services, business development, and marketing, represented approximately 14% of the total budget. Tourism promotional funds and the administrative costs were the remainder of the budget.

The resource allocation demonstrated in MSF budget is aligned with the priority program areas of MEDC. The FY 2002 budget appropriation for MSF provides over $180 million in total funds, representing a 6.6% annual increase.

The Michigan Strategic Fund Budget by Program Area - FY 2001



Source: Michigan Dept. of Management & Budget

Total Budget = $169.1 million

Secondary State Community and Economic Development Agencies

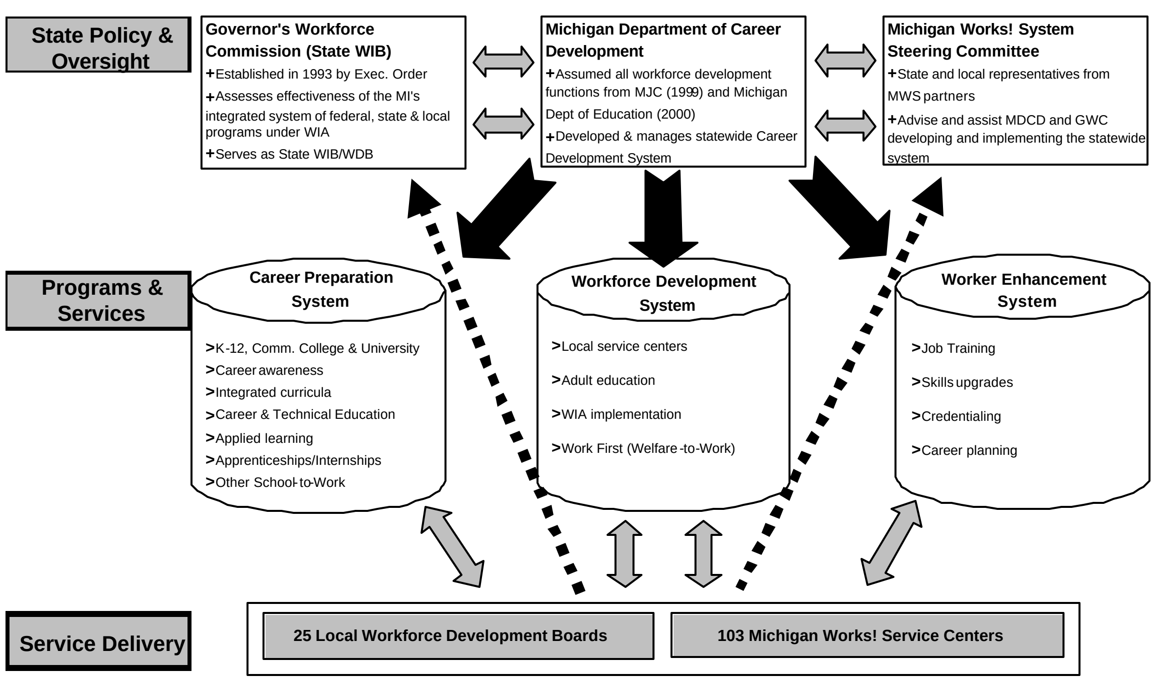
There are several state entities with individual programs focused on community and economic development. These secondary state agencies contribute to the overall state economy and often partner with the primary state development agencies to develop programs and policies.

The **Michigan Department of Career Development** is the State's lead workforce development agency. MDCD administers all of the workforce development policies, training programs, recruitment services, adult education, and career preparation services offered by the state. The agency coordinates policies and programming with the Governor's Workforce Commission, a policy advisory body, and the Michigan Works! System.

The Michigan Works! System is a highly successful service delivery network comprised of partnerships between local elected officials and Workforce Development Boards. The Michigan Works! System was founded in 1987 and was recognized as the most innovative workforce development system in the country by the National Alliance for Business in 1997. The system now has 103 certified Michigan Works! Service Centers with one-stop services and co-located service providers. These local service centers are the main service delivery infrastructure for the MDCD workforce system and the implementation of the state's federally approved Workforce Investment Act Five-Year Strategic Plan.

The following diagram depicts Michigan's workforce development system including the grass-roots input of the local service centers and workforce development boards regarding programs, system design, and statewide policy.

Michigan "Career Development System"



Source: Adapted from the *Michigan Workforce Investment Act Annual Report – June 2001*

The **Partnership for Economic Progress** is a new strategic alliance between MEDC and the State's 15 public universities. The purpose of the Partnership is to ensure Michigan capitalizes on the assets of the universities in the economic development process, with a particular emphasis on technology initiatives. The Partnership is focused on initiatives in the following four broad areas:

1. Attracting and Retaining Superior Talent
2. Commercialization of Ideas
3. Supporting Entrepreneurial Culture
4. Creating Entrepreneurial Infrastructure.

The Partnership commissions studies, evaluates near and long-term issues, supports successful programs, and makes policy and programming recommendations in these areas.

The **Michigan Department of Agriculture** (MDA) is collaborating with MEDC to administer the new rural enterprise zones – called *Agricultural Renaissance Processing Zones* – established under new legislation in 2000. The law required that these agencies designate 10 zones to be eligible for nearly tax-free status. MDA is responsible for stewarding the agricultural industry's economic interests. The department offers traditional industry services including export assistance, regulatory assistance, licensing, and business assistance. The website's has new initiatives such as the MDA Marketplace and online directories of farmer's markets, fresh food production, and agricultural tourism venues.

The **Michigan State Housing Development Authority** (MSHDA) is the state's long-standing housing agency. Most of the financial assistance consists of federally funded programs including HOME funds, Section 8 Rental Assistance, CDBG Housing Rehabilitation, and Low Income Housing Credits. MSHDA has offices located in Lansing, the state capital, and Detroit. MSHDA does utilize field staff to administer the federal Section 8 Existing Rental Assistance Program. In addition to executive and administrative functions, the Authority's services are rendered through these seven divisions: Existing Housing, Finance, Housing Development, Community Development, Single Family, Legal, and Management and Reinvestment. Several distinctive programs and services offered through these divisions are detailed in the remainder of this section.

- *Contractors Assistance Program*: MSHDA supplies working capital loans of up to $50,000 and technical business assistance to small contractors working on Authority projects.
- *Tax-Exempt Apartments for Michigan (TEAM):* Offers a 35-year tax exemption for new apartments meeting the mixed-income criteria.
- *Family Self Sufficiency Program:* Coordinates local resources to promote the economic independence of families residing in public housing by assessing the needs of participants, determine services and training needed (e.g. literacy training), and provide an interest-bearing escrow incentive fund.

The **e-Michigan Office** was created by executive order and reports directly to the Governor. The office was launched in July 2001 and is charged with managing all of the State's numerous e-government initiatives to bring greater services and information online for residents, businesses and governments.

In conjunction with the technology solutions delivered, this agency is driving the reengineering of many operational processes to increase the efficiency of state government. The office is important to economic community development because of its impact on how services are delivered, the ease of conducting business with the state government (e.g. regulatory compliance and purchasing), and the global online representation of the State to potential businesses and residents. In short the e-Michigan initiatives have direct impacts on service delivery systems (including MEDC and MDCD) and influences the overall business climate.

Conclusions

CONCLUSIONS

Several things are clear as these five state structures are delineated and reviewed. The past few years have seen a significant change in the structure of state economic development programs. These five states are only representative of the types of structures and systems in place today. Perhaps the best way to summarize the activity is to list a series of trends that come from this document.

- In a number of states, the primary community and economic development programming has been "privatized."
- The private sector is investing serious money and time in assisting states with their efforts.
- In almost every case, the Governor has taken a serious leadership role in both advocating the change and in being "at the table" in the resulting structure.
- Several midwestern and northeastern states have dramatically restructured their systems on a continuing basis over the past 10 years.
- Most states now understand that tourism is a major opportunity area and have included those programs in the structure of their primary agency or entity.
- While the increases in state budgets are now slowing (primarily as a result of revenue shortfalls), the amount of money expended has increased dramatically in the past 10 years. Pennsylvania's budget now tops $1 billion.
- The efforts at marketing or "branding" a state have taken on tremendous new funding and program activities.
- Almost all the structures have some "regional" components with many placing field staff or specific program staff across the state. Several of the regional efforts are directly tied to the Governor.
- While workforce development is a vital issue, most structures house that effort in a separate agency. Some retain the "specialized training" component inside the primary agency or entity.
- Several of the newer structures (Michigan and Florida) have powerful local partnerships that leverage the state's efforts dramatically.
- For the first time, a number of states now have serious benchmarks and measures to track both activity and outcomes. Several have funding and legislative review tied to those benchmarks.
- The newly created structures (except Florida) have pulled the community development efforts into the primary agency or entity.
- The web presence of individual agencies and the entire state is a key part of creating a seamless system. The second challenge is driving coordination through strong partnerships, new laws, or executive orders. The private sector partnerships such as Team Pennsylvania or the Michigan

Economic Development Corporation appear the more effective route. Team Pennsylvania's model is particularly effective because they are addressing service delivery on all three components (online services, program coordination/cooperation, and local/regional delivery) and integrating them into a system.

- Almost every state has a set of specific programs dedicated to technology and the "new economy." Michigan, Ohio and Pennsylvania continue to build on their long-term programs and are using Tobacco Settlement Fund reserves for biotechnology research and technology development.

- In those states with "boards of directors" the private sector dominates. While the size of the board varies from Florida's 37 down to Michigan's nine, the Governor serves as the Chairman and is involved in the selection of the members.

- A notable change in the structures is the enhanced presence of information services, research, and websites with key staff and resource commitments. Many states are using various websites both in image creation and client and site consultant management.

- The second generation of state agency web offerings are significantly more sophisticated than the brochures of two-to-four years ago. The Team Pennsylvania Business Resource Network is an example of a gateway with advanced functionality that seamlessly presents programs from multiple agencies in one coherent offering, and is continuously updated. An agency must be part of a statewide e-government initiative that is managing the steady rollout and improvement of a state portal.

- While the presence of international reverse investment staff has been contained in most state structures for years, recent development centers around trade and export services. Several states have whole divisions, field offices, and foreign offices dedicated to exporting.

- The most competitive states are reforming government significantly to strengthen the state business climate. This is a prerequisite for other states to be competitive over the mid to long-term.

- Several structures reveal a strong presence of the "Governor's Office" in both oversight (OTTED in Florida) and grant making (CDBG in Kentucky).

- A consistent effort in "project management" is led by Michigan's new 24-hour services through its account executives program. The quality of "customer service" is an important measurement in these new structures.

- States are devoting real resources to attract and retain intellectual capital. Michigan and Pennsylvania are aggressively recruiting young, educated workers in well-funded campaigns combining marketing, internships, and other "incentives."

- Every state is working towards "one stop" for clients and existing businesses. There is a serious commitment to "single contact" service in many states. Customer service is becoming a differentiating factor that becomes another part of a state's business climate.

The one thing that becomes clear throughout this report is that change is constant. These states are continuing to evolve their structure. Michigan's Governor has led his state through two major restructuring efforts in six years. Their new structure is a powerful improvement over past efforts. Pennsylvania has built the largest and most comprehensive program by continuing change and private sector input. Florida, who really began the privatization trend back in 1992, continues to make changes and simplify the structure. Kentucky's unique cabinet system has undergone continuing enhancement in community and economic development. Ohio operates on a division structure that allows flexibility in the different regions of the state.

There is no one right answer. What is key is to ask the right questions. While Indiana can learn from each of these states, it must find its own solution. Indiana cannot simply readjust and realign its structure. As several states have done, it must think anew, take risks, and be committed to continuing change. The competition has never been greater and there is no indication that the evolution will slow.